

## Definitions of performance measures

Trelleborg uses a number of alternative performance measures relating to its financial position: return on shareholders' equity and return on capital employed, net debt, debt/equity ratio, and equity/assets ratio. The Group believes that these performance measures can be utilized by users of the financial statements as a supplement in assessing the possibility of dividends, making strategic investments, and assessing the Group's ability to meet its financial commitments. Trelleborg also uses the cash flow

metrics of operating cash flow and free cash flow to provide an indication of the funds generated by the operations in order to conduct strategic investments, carry out amortizations, and generate a return for its shareholders. Trelleborg uses the performance metrics of EBITDA, EBITA, and EBIT, excluding items affecting comparability, which the Group considers to be relevant for investors seeking to understand its earnings generation before items affecting comparability. For further descriptions and calculations of performance measures, visit [www.trelleborg.com/en/investors/financial-definitions](http://www.trelleborg.com/en/investors/financial-definitions).

## Notes – Group

### 1 General accounting policies

The Parent Company, Trelleborg AB (publ), is a limited liability company with its registered office in Trelleborg, Sweden. The Parent Company is listed on Nasdaq Stockholm. The Board of Directors resolved to adopt these consolidated financial statements for publication on March 2, 2023.

#### Basis of preparation

The Trelleborg Group's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Corporate Groups and the International Financial Reporting Standards (IFRS) and IFRIC interpretations, as approved by the EU.

The Group's financial statements have been prepared in accordance with the cost method, with the exception of certain financial instruments that were measured at fair value.

The Parent Company applies the same accounting policies as the Group, except in the instances stated in Note 35 "Parent Company's accounting policies." The differences arising between the Parent Company and the Group's accounting policies are attributable to limitations on the ability to apply IFRS in the Parent Company, primarily as a result of the Swedish Annual Accounts Act.

These policies were applied consistently for all years presented, unless otherwise stated.

#### Consolidated financial statements

##### Group

The consolidated financial statements include the Parent Company and all subsidiaries, joint ventures, and associated companies. Intra-Group transactions, balance-sheet items, and income and costs for intra-Group transactions are eliminated. Gains and losses resulting from intra-Group transactions and which are recognized in assets are also eliminated.

#### Translation of foreign currencies

##### Functional currency and reporting currency

Items included in the financial statements of the various entities of the Group are valued in the currency used in the primary economic environment of each company's operations (functional currency). Swedish kronor (SEK), which is the Parent Company's functional currency and presentation currency, is utilized in the consolidated financial statements.

##### Transactions and balance-sheet items

Transactions in foreign currency are translated into the functional currency in accordance with the exchange rate prevailing on the transaction date. Exchange rate gains and losses resulting from settlement of such transactions and from the translation at the closing rate of monetary assets and liabilities in foreign currency are recognized in profit and loss. An exception is made when hedging transactions meet the requirements for cash-flow hedging or net-investments hedging whereby gains and losses are recognized directly against other comprehensive income after adjustment for deferred taxes. Reversal to profit and loss takes place at the same time as the hedged transaction impacts profit and loss.

#### Subsidiaries

The earnings and financial position of the Group subsidiaries, joint ventures, and associated companies are prepared in the functional currency of each company. In the consolidated financial statements, the earnings and financial position of foreign subsidiaries are translated into SEK in accordance with the following:

Income and expenses in the income statements of subsidiaries are translated at the average exchange rate for the applicable year, while assets and liabilities in the balance sheets are translated at the closing

rate. Exchange rate differences arising from translation are recognized as a separate item in other comprehensive income. Translation differences arising on financial instruments, which are held for hedging of net assets in foreign subsidiaries, are also entered as a separate item in other comprehensive income. On divestment, the accumulated translation differences attributable to the divested unit, previously recognized in other comprehensive income, are realized in the consolidated income statement in the same period as the gain or loss on the divestment.

For foreign operations located in countries with hyperinflation, the financial statements are adjusted before translation using a reliable inflation index. This is performed in order to take into account changes in the purchasing power of the company's functional currency, usually its local currency. Only the year concerned is adjusted using an inflation index. Thereafter, assets and liabilities, including goodwill and other consolidated surplus values and discounts are restated in the Group's presentation currency at the exchange rate prevailing on the closing date. Revenue and expenses are also restated using this exchange rate. Refer to the "Change in equity" table on page 69 and Notes 9, 15 and 17.

Goodwill and adjustments of fair value arising in connection with the acquisition of foreign operations are treated as assets and liabilities of these operations, and are translated at the closing rate.

#### Other accounting and valuation policies

Non-current assets and non-current liabilities comprise amounts expected to be recovered or paid more than 12 months from the closing date. Current assets and current liabilities comprise amounts expected to be recovered or paid within 12 months of the closing date.

#### New and amended IFRS standards applied from January 1, 2022

The following standards and amendments are new for the fiscal year beginning on January 1, 2022:

- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Improvements to IFRS 2018–2020

None of the above amended and improved IFRS standards that took effect in 2022 had any material impact on the Group's reporting.

#### New standards and interpretations that have not yet come into effect

A number of new and amended IFRS have not yet come into effect and were not applied prospectively in connection with the preparation of the Group's and Parent Company's financial statements. These amended standards or interpretations are not expected to have any material impact on the Group's or Parent Company's financial statements.

### Critical accounting estimates and judgments

Company management and the Board of Directors make estimates and assumptions about the future. These estimates and assumptions impact recognized assets and liabilities, as well as revenue and expenses, and other disclosures, including contingent liabilities. These estimates are based on historical experience and on various assumptions considered reasonable under the prevailing conditions. The conclusions reached in this manner form the basis for decisions concerning the carrying amounts of assets and liabilities where these cannot be determined by means of other information. The actual outcome may diverge from these estimates if other assumptions are made, or other conditions arise. Estimates and assumptions that may have a significant effect on the Group's earnings and financial position are provided for each note where appropriate:

- Note 2 Segment reporting
- Note 9 Income tax
- Note 11 Pension provisions and similar items
- Note 16 Leases
- Note 17 Intangible assets
- Note 18 Inventories
- Note 19 Current operating receivables
- Note 24 Other provisions

### Climate-related risks

Climate change is a challenge that entails risks for the entire global community, including its companies, people, and surrounding environment. Trelleborg is playing an active risk-prevention role by supplying products and solutions that reduce energy consumption and emissions for customers and society at large, and through its systematic work to limit climate risks directly associated with its own operations and its value chain.

During 2022, governance and organization of sustainability were further developed. Trelleborg changed its organization during the year to clarify the roles of the Board of Directors, the management, the executive steering committee and the operational employees for the steering of sustainability work, as well as the individual responsibility of the business areas for planning and implementation.

An analysis of climate-related risks and opportunities including future climate scenarios with financial impact according to the TCFD's recommendations provides the basis and variables for a potential future description for Trelleborg to base its actions on. The risks facing the Group can be divided into transition and physical risks.

Transition risks are generally expected to occur before physical risks. The organization is continuously increasing its contingency for future carbon regulations and rises in the price of raw materials. Transition risks related to changes in demand where customers avoid fossil materials is probably a larger risk in the medium term than new political measures and taxes. New materials and new technical solutions are monitored for the same purpose, namely for Trelleborg to be an industry leader in sustainability.

Climate-related disruptions of the supply chain and Trelleborg's production can be expected to increase moving forward. The risk analysis of climate-related physical risks has been in place for a long time. The number of upgrades to the level of *Highly Protected Risk facilities* is rising, refer to page 40.

Trelleborg's sustainability governance and organization are described in more detail on pages 50–53. Climate risks, including transition risks and physical risks, as well as descriptions of various climate scenarios, can be found on pages 118–120.

### Discontinuing operations

The Group signed an agreement in March 2022 to divest the business area Trelleborg Wheel Systems to Yokohama Rubber Company for EUR 2,100 M on a cash and debt-free basis. Less than 3 percent of the purchase consideration is subject to Trelleborg Wheel Systems' performance in 2022. The divestment is expected to be finalized during the first half of 2023.

As of the first quarter of 2021, the Group's printing blanket operation has been reported as assets and liabilities held for sale and discontinuing operations. In the fourth quarter of 2021, an agreement was signed to divest the operations to Continental. The buyer has received the requisite approvals of all of the relevant authorities. Some formalities remain and the transaction is expected to be finalized during the first quarter of 2023.

Following the announcement of the divestments, the Group classified these operations as discontinuing operations, and assets and liabilities held for sale. Accordingly, the figures for 2022 relating to income statement items are presented as continuing and discontinuing operations. The 2021 comparative period has been adjusted in the corresponding manner. For closing balances in 2021 and 2022, assets and liabilities held for sale have been reclassified to a separate line in the consolidated balance sheet.

In accordance with IFRS 5, depreciation of assets held for sale, largely attributable to Trelleborg Wheel Systems, has been discontinued.

Refer also to Note 25 and pages 34–35 for further information on discontinuing operations.

## Sales and earnings

### 2 Segment reporting

#### Accounting policies

##### Operating segments

Operating segments are reported in a manner consistent with the internal reports presented to the chief operating decision maker. The chief operating decision maker is the function responsible for the allocation of resources and the assessment of the operating segments' earnings. For the Group, this function has been identified as the President.

Trelleborg's operational businesses are organized into two business areas. Their respective strategies to secure leading positions in selected industries are tailored because they differ in structures and businesses – and because they operate in different market niches. The common denominator is the engineered polymer solutions that seal, damp and protect critical applications in demanding environments, as well as a distinctly decentralized organization built on local responsibility and personal dedication, which form the basis of the Group's model for profitability and business success.

- Trelleborg Industrial Solutions is a leading supplier of polymer-based critical solutions in selected industrial application areas and infrastructure projects.
- Trelleborg Sealing Solutions is a leading global supplier of polymer-based critical sealing solutions and components deployed in aerospace, automotive and general industry, and healthcare & medical.

In addition, other operations are gathered under the name Group activities. For a more detailed description of the Group's operating segments, refer to pages 28–33.

##### Assets held for sale

The Group's tire and printing blanket operations were reported in 2022 as discontinuing operations, assets held for sale.

The Group signed an agreement in March 2022 to divest the business area Trelleborg Wheel Systems to Yokohama Rubber Company for EUR 2,100 M on a cash and debt-free basis. Less than 3 percent of the purchase consideration is subject to Trelleborg Wheel Systems' performance in 2022. Completion of the transaction, which is subject to the approval of the relevant authorities, is expected to be finalized during the first half of 2023.

As of the first quarter of 2021, the Group's printing blanket operation has been reported as assets and liabilities held for sale and discontinuing operations. In the fourth quarter of 2021, an agreement was signed to divest the operations to Continental. The buyer has received the requisite approvals of all of the relevant authorities. Some formalities remain and the transaction is expected to be finalized during the first quarter of 2023.

Refer also to Note 25 and pages 34–35 for further information.

Royalty revenue is presented in Note 6, since it is not included in normal operations, but is instead classified as other operating income.

In the presentation of the Group's geographic markets, the operations have been subdivided into Europe, North and South America, Asia and Rest of the World. Net sales are recognized according to customer location, while capital employed and capital expenditures are recognized according to where the subsidiaries are physically located.

#### Critical estimates and judgments

Segment reporting for the business areas comprises operating EBIT and capital employed. Capital employed encompasses all property, plant, and equipment, intangible assets and participations in associated companies, and inventories and operating receivables, less operating liabilities. The business areas are charged with Group-wide expenses amounting to 0.4 percent of external sales, which does not affect recognized cash flows.