

## 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 February 19, 2019.

#### 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 below under "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.

Amendments to IAS 1 Presentation of Financial Statements are being made within the framework of the IASB's Disclosure Initiative, a project aimed at improving disclosures in financial statements. The amendments clarify a number of issues, including materiality, separate disclosure and subtotals, and the order of notes. For Trelleborg, this has involved a rearrangement of the note structure, with certain applicable accounting policies presented under the respective notes since 2016. In addition, general accounting policies were applied that are presented below.

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 and joint ventures/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 (none of which use a high-inflation currency) 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 Swedish kronor (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.

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.

#### Cash-flow statements

Cash-flow statements are prepared in accordance with the indirect method.

#### 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. Assets and liabilities are measured at cost, unless otherwise indicated.

#### New and amended standards applied from January 1, 2018

**IFRS 9 Financial Instruments.** IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 replaced IAS 39 in its entirety and the main changes relate to classification and measurement of financial instruments, hedge accounting and provisions for credit losses. As of January 1, 2018, Trelleborg applies IFRS 9 in its entirety with the greatest impact relating to: classification and measurement, hedge accounting and recognition of expected credit losses according to the expected loss model. The transition to IFRS 9 did not have any material impact on the Trelleborg Group's reporting. Given the immaterial effects of the new standard, previous periods were not restated, meaning that the comparative year 2017 was reported according to IAS 39. In opening balance for 2018, the Group recognized a non-recurring item of SEK 7 m in equity on account of the modified calculation model for expected credit losses on accounts receivable and SEK 1 m for expected credit losses in cash and cash equivalents. See also Notes 18, 25, 29 and 30.

**IFRS 15 Revenue from Contracts with Customers.** IFRS 15 introduces a new model for revenue recognition (five-step model) that is based on when control of a good or service is transferred to the customer. IFRS 15 replaces all previous standards, statements and interpretations relating to revenue recognition. Trelleborg applies IFRS 15 as of January 1, 2018. Trelleborg has chosen to retroactively restate the 2017 fiscal year. The transition to IFRS 15 did not have any material impact on the Trelleborg Group's reporting. See also Notes 2 and 3.

Other amended and new IFRS that came into effect in 2018 did not have any material impact on the Group's accounts.

#### 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. The standards that could potentially impact the Group's and Parent Company's financial statements are described below. Other new or amended standards or interpretations are not expected to have any impact on the Group's or Parent Company's financial statements.

**IFRS 16 Leases** IFRS 16 Leases replaces IAS 17 Leases and will be applied as of January 1, 2019. The new standard entails that most leases will be recognized in the balance sheet, since the difference between operating leases and financial leases is being removed. According to the new standard, an asset pertaining to the right to use the leased asset and a financial liability pertaining to the obligation to pay the leases fees are recognized, with certain exceptions. The standard will impact the recognition of the Group's operating leases, particularly pertaining to office and production premises. For more information, see Note 15.

**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.

**Parent Company's accounting policies**

The financial statements of the Parent Company have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2. In its financial reporting, the Parent Company applies International Financial Reporting Standards (IFRS) that have been endorsed by the EU where this is possible within the framework of the Swedish Annual Accounts Act and with consideration of the link between accounting and taxation. This primarily entails the following differences between accounting in the Parent Company and the Group:

- The Parent Company recognizes its pension obligations in accordance with the Pension Obligations Vesting Act.
- Group contributions are recognized as appropriations.
- Shareholders' contributions to subsidiaries are added to the value of shares and participations in the balance sheet, after which impairment testing is conducted.
- Liabilities in foreign currencies that represent effective hedging instruments for the Parent Company's investments in subsidiaries are measured at the historical rate of exchange. Gains or losses on liabilities that are replaced are recognized as other assets or liabilities until such time as the net investment has been divested.