

# **Trelleborg Sealing Solutions Helsingør A/S**

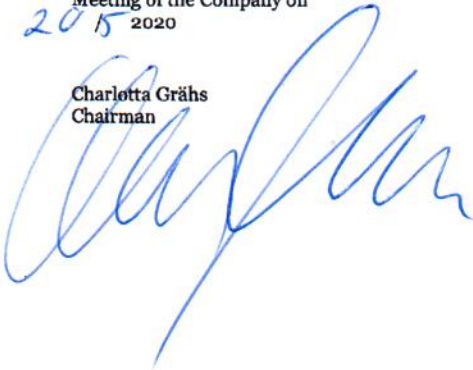
Fabriksvej 17A, DK-3000 Helsingør

## **Annual Report for 1 January - 31 December 2019**

CVR-nr. 26 23 05 19

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
2015 2020

Charlotta Grähs  
Chairman



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## Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Trelleborg Sealing Solutions Helsingor A/S for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations for 2019.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Elsinore, March 19 2020

### Executive Board



Jesper Luja Thomsen  
CEO


### Board of Directors



Kent Helmer Bergenholtz  
Chairman



Bo Haugsted



Jesper Luja Thomsen



Henrik Brauer  
Staff Representative



Jan Eckhausen  
Staff Representative

# Independent Auditor's Report

To the Shareholder of Trelleborg Sealing Solutions Helsingor A/S

## **Opinion**

We have audited the financial statements of Trelleborg Sealing Solutions Helsingor A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

## **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Management's Responsibilities for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **Independent Auditor's Report**

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Independent Auditor's Report**

### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, March <sup>23/</sup><sub>3-</sub> 2020

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR-nr. 33963556



Christian Sanderhage  
State Authorised Public Accountant  
Identification number (MNE) mne23347

## Company Information

### **The company**

Trelleborg Sealing Solutions Helsingør A/S  
Fabriksvej 17A  
DK-3000 Helsingør

Telephone: + 45 49 27 03 33

CVR-no.: 26 23 05 19  
Financial period: 1 January - 31 December  
Municipality of reg. office: Elsinore

### **Board of Directors**

Kent Helmer Bergenholtz, Chairman  
Bo Haugsted  
Jesper Luja Thomsen  
Henrik Brauer  
Jan Eckhausen

### **Executive Board**

Jesper Luja Thomsen

### **Auditors**

Deloitte  
Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
2300 København S

### **Lawyers**

SIRIUS advokater  
Frederiksberggade 11  
DK-1459 København K

### **Bankers**

Danske Bank  
Corporate Banking DK  
Holmens Kanal 2-12  
DK-1092 København K

## Financial Highlights

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	426.072	466.770	462.294	425.428	397.111
Gross profit/loss	144.073	167.903	193.240	177.387	168.168
Profit before financial income and expenses	75.340	99.965	128.351	115.638	106.940
Net financials	-343	-811	-137	-1.367	-88
Net profit/loss for the year	57.592	77.370	99.990	89.103	82.247
<b>Balance sheet</b>					
Balance sheet total	266.940	239.475	251.795	206.841	196.992
Equity	125.648	137.823	150.079	130.818	115.827
Investment in property, plant and equipment	48.158	17.968	27.352	11.763	23.571
Number of employees	400	418	389	379	363
<b>Ratios in %</b>					
Gross margin	33,8%	36,0%	41,8%	41,7%	42,3%
Profit margin	17,7%	21,4%	27,8%	27,2%	26,9%
Return on assets	28,2%	41,7%	51,0%	55,9%	54,3%
Solvency ratio	47,1%	57,6%	59,6%	63,3%	58,8%
Return on equity	43,7%	53,7%	71,2%	72,3%	72,7%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Finance Society. For definitions, see under accounting policies.



## **Managements Review**

### **Main activity**

The Company produces and sells sealing systems and bearing materials within various industrial areas including the aerospace and automotive industry.

The Company primarily sells to other companies within the Group and exports 99% of its total sales.

### **Development in the year**

The Company has seen a negative development in revenue in the financial year 2019 leading to a drop in revenue of app 8.8%. The negative development mainly relates to a decline in sales to the automotive segment. Due to this decline net profit for the year has not developed as expected and is not satisfactory.

The profit for the financial year 2019 amounts to DKK 57,592k. For the financial year 2018 the similar profit amounted to DKK 77,370k.

### **External environment**

The Company's overall environmental policy is to prevent environmental problems so that the Company at any time will be a reliable cooperation partner. Besides complying with current statutory requirements concerning environmental protection, it is the objective of the Company on its own initiative to work for a general reduction of the impact of the Company's activities on the surrounding environment.

The goal is also being met through the Company's certification according to the ISO 14001 standard. The company has obtained environmental approval under sections 4 and 5 of the Danish Environmental Protection Act.

### **Foreign exchange risks**

Activities abroad entail that profit, cash flows and equity are affected by the exchange rate and interest movements of a number of foreign currencies. It is no longer the Company's policy to hedge against commercial foreign exchange risks. Hence all hedging contracts have been terminated during 2019.

### **Research and Development**

Development activities primarily comprise the development of new materials for production. No costs were capitalized during the year.

### **Corporate Social Responsibility**

The reporting regarding CSR is included in the Consolidated Financial Statements of Trelleborg AB, Sweden, see [www.trelleborg.com/en/investors/reports/annual--reports](http://www.trelleborg.com/en/investors/reports/annual--reports)

## **Target rate for the Board of Directors and equality in management levels**

The Board of Directors of Trelleborg Sealing Solutions Helsingør A/S adopted a target by 2022 that both genders must be represented among the five board members. The composition of the Board of Directors and the Executive Board continue to be based on the competencies of all members, and the best qualified candidate is appointed. By 2019 the Board of Directors did not include any females. The ambition for gender diversity continues.

Based on the code of conduct of the Trelleborg Group with respect to fair employment practices based on a principle of respect for our employees and their human rights under which we will not subject our employees to any difference of treatment in connection with appointments based on gender, race, religion, age, handicap, sexual orientation, nationality, political conviction or social or ethnic origin, we have prepared an equality policy which applies to all management levels in the Company.

Our target is, on a current basis, to increase the ratio of female executives. Our ambition is to increase ratio of female executives from 18% in 2019 to minimum 30% in 2022. This will be supported by our continuous effort to ensure diversity in in-house training, promotions and recruitment process. In 2019 the number of female executives decreased from seven to six, primarily impacted by organizational changes. This equals 18% of all executives. Current level is acceptable as already implemented activities regarding training, promotions and recruitment is expected to have positive impact on diversity among executives.

## **The expected development**

The company expects a decline in revenue and profit for 2020, which is due to the global spread of COVID-19. It is currently not possible to quantify the exact financial effect of the virus pandemic, but a negative financial impact is expected.

## **Subsequent events**

After the Balance Sheet date Trelleborg Group have decided to postpone the Company's construction of a new factory. The length of the postponement is yet unknown.

The COVID-19 has subsequently developed into a global pandemic, affecting both global and national trade and local workforces. The company has in March 2020 imposed precautionary actions to limit the risk of spreading the virus. Some customers may close their productions for a period of time during 2020, which would negatively affect the financials for 2020. At the time of signing the annual report it is not possible to quantify any effects of the situation, since prerequisites are changing quickly and significantly. The board of directors approve of actions taken so far and will continuously update the action plan whenever necessary.

## **Uncertainties about measurement and valuation**

Due to the postponement of the construction of the new factory there is an inherent uncertainty about capitalized costs related to this project. The capitalized costs related to the new factory accumulates to DKK 40.860k per December 31 2019.

## **New accounting policies**

IFRS 15 and IFRS 16 have been implemented during 2019. IFRS 15 have had no financial impact on the opening numbers, but IFRS 16 have changed all operating leases to financial leases hence affecting both the income statement and balance sheet, see note 16.

## Income Statement 1 January - 31 December

	Note	2019 kDKK	2018 kDKK
<b>Revenue</b>	1	<b>426.072</b>	<b>466.770</b>
Cost of sales		-281.999	-298.867
<b>Gross profit</b>		<b>144.073</b>	<b>167.903</b>
Distribution expenses		-24.167	-23.857
Administrative expenses		-45.215	-47.458
<b>Operating profit</b>		<b>74.691</b>	<b>96.588</b>
Other operating income		2.156	7.830
Other operating expenses		-1.507	-4.453
<b>Profit before financial income and expenses</b>		<b>75.340</b>	<b>99.965</b>
Financial income	2	1.234	1.597
Financial expenses	3	-1.577	-2.408
<b>Profit before tax</b>		<b>74.997</b>	<b>99.154</b>
Tax on profit for the year	4	-17.405	-21.784
<b>Profit for the year</b>		<b>57.592</b>	<b>77.370</b>
 <b>Proposed distribution of profit</b>			
Proposed dividend for the year		0	70.000
Retained earnings		57.592	7.370
		<b>57.592</b>	<b>77.370</b>

## Balance sheet 31. december

### Assets

	Note	2019 kDKK	2018 kDKK
Land and buildings		33.696	34.709
Plant and machinery		66.413	62.591
Other fixtures and fittings, tools and equipment		11.180	4.920
Property, plant and equipment under construction		57.338	30.450
<b>Property, plant and equipment</b>	5	<b>168.627</b>	<b>132.670</b>
Non-current receivables	6	984	0
<b>Financial fixed assets</b>		<b>984</b>	<b>0</b>
<b>Fixed assets</b>		<b>169.611</b>	<b>132.670</b>
<b>Inventories</b>	7	<b>50.154</b>	<b>55.617</b>
Trade receivables		191	1.731
Receivables from group enterprises		42.332	40.069
Other receivables	6	3.459	6.271
Corporate Tax		0	2.478
Prepayments	6	1.193	639
<b>Receivables</b>		<b>47.175</b>	<b>51.188</b>
<b>Current assets</b>		<b>97.329</b>	<b>106.805</b>
<b>Assets</b>		<b>266.940</b>	<b>239.475</b>

## Balance sheet 31. december

### Liabilities and equity

	Note	2019 kDKK	2018 kDKK
Share capital	8	18.000	18.000
Retained earnings		107.648	49.823
Proposed dividend for the year		0	70.000
<b>Equity</b>		<b>125.648</b>	<b>137.823</b>
Other provisions	9	625	0
Provision for deferred tax	10	13.370	9.995
<b>Provisions</b>		<b>13.995</b>	<b>9.995</b>
Other non-current payables	11	6.255	0
Non-current lease liabilities	11	981	0
<b>Long-term debt</b>		<b>7.236</b>	<b>0</b>
Advance payments from customers		0	1.749
Trade payables		18.782	23.303
Payables to group enterprises		68.534	26.328
Other payables	11	30.104	40.277
Current lease liabilities	11	1.565	0
Corporate tax		1.076	0
<b>Short-term debt</b>		<b>120.061</b>	<b>91.657</b>
<b>Debt</b>		<b>127.297</b>	<b>91.657</b>
<b>Liabilities and equity</b>		<b>266.940</b>	<b>239.475</b>
Contingent assets, liabilities and other financial obligations	12		
Staff	13		
Financial instruments	14		
Fee to auditors appointed at the general meeting	15		
Changes in accounting policies	16		
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## Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	kDKK	kDKK	kDKK	kDKK
Equity at 1 January	18.000	49.823	70.000	137.823
Ordinary dividend paid	0	0	-70.000	-70.000
Equity effect from IFRS16 implementation	0	233	0	233
Net profit/loss for the year	0	57.592	0	57.592
<b>Equity at 31 December</b>	<b>18.000</b>	<b>107.648</b>	<b>0</b>	<b>125.648</b>

# Notes to the Annual Report

## 1 Revenue

### Segment information

The Company's activity primarily comprises production of engineered polymer seals and bearings for industrial purposes. 99% of the sales are exports to other group enterprises. These group enterprise sales can be split into 86% to EU, 10% to Asia and 4% to America. Therefore, the Annual Report does not include information about business segments and geographical markets.

	<u>2019</u> kDKK	<u>2018</u> kDKK
<b>2 Financial income</b>		
Interest received from group enterprises	17	14
Other financial income	17	2
Exchange gains	<u>1.200</u>	<u>1.581</u>
	<b>1.234</b>	<b>1.597</b>
<b>3 Financial expenses</b>		
Interest paid to group enterprises	188	135
Other financial expenses	55	6
Exchange loss	<u>1.334</u>	<u>2.267</u>
	<b>1.577</b>	<b>2.408</b>
<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	14.076	21.022
Deferred tax for the year	<u>3.329</u>	<u>867</u>
	<b>17.405</b>	<b>21.889</b>
which breaks down as follows:		
Tax on profit/loss for the year	17.405	21.784
Tax on changes in equity	<u>0</u>	<u>105</u>
	<b>17.405</b>	<b>21.889</b>
Tax on profit/loss for the year is calculated as follows:		
Calculated 22% tax on profit/loss for the year before tax	16.499	21.814
Tax effect of:		
Tax on non-deductible expenses and non-taxable income	906	51
Tax on balance of extraordinary tax depreciation basis 2012-2013 (+15%) transferred to ordinary tax depreciation basis	0	-81
Tax on changes in equity	<u>0</u>	<u>105</u>
	<b>17.405</b>	<b>21.889</b>

# Notes to the Annual Report

## 5 Property, plant and equipment

	Land and buildings kDKK	Plant and machinery kDKK	Other fixtures and fittings, tools and equipment kDKK	Property, plant and equipment in progress kDKK
Cost at 1 January	54.779	157.393	37.884	30.450
Additions for the year	0	0	2.192	45.966
Disposals for the year	0	-1.784	-719	-6
Transfers for the year	0	13.612	5.460	-19.072
<b>Cost at 31 December</b>	<b>54.779</b>	<b>169.221</b>	<b>44.817</b>	<b>57.338</b>
Impairment losses and depreciation at 1 January	-20.070	-94.802	-30.500	0
Depreciation for the year	-1.013	-9.789	-3.596	0
Reversal of impairment and depreciation of sold assets	0	1.785	459	0
<b>Impairment losses and depreciation at 31 December</b>	<b>-21.083</b>	<b>-102.808</b>	<b>-33.637</b>	<b>0</b>
<b>Carrying amount at 31 December</b>	<b>33.696</b>	<b>66.413</b>	<b>11.180</b>	<b>57.338</b>

Included in the "Other fixtures and fittings, tools and equipment" are leased assets with a total carrying value of 2.769 kDKK per 31 December 2020

Depreciation and impairment of property, plant and equipment are recognised in the following items:

	2019 kDKK	2018 kDKK
Cost of sales	12.943	11.016
Administrative expenses	1.455	335
	<b>14.398</b>	<b>11.351</b>

## 6 Other receivables & prepayments

Prepaid expenses	1.193	476
Other receivables	3.459	163
<b>Short-term other receivables &amp; prepayments</b>	<b>4.652</b>	<b>639</b>
Prepaid expenses	583	0
Deposits	401	0
<b>Long-term other receivables &amp; prepayments</b>	<b>984</b>	<b>0</b>
	<b>5.636</b>	<b>639</b>

## 7 Inventories

Raw materials and consumables	14.783	19.463
Work in progress	24.674	26.766
Finished goods and goods for resale	10.697	9.388
	<b>50.154</b>	<b>55.617</b>



# Notes to the Annual Report

## 8 Equity

The share capital of a nominal amount of kDKK 18,000 comprises the following shares:

Number	Face value kDKK	Total kDKK
1	798	798
1	70	70
22	5	110
1	2	2
18	1	18
4	0,5	2
<u>1</u>	<u>17.000</u>	<u>17.000</u>
		<b>18.000</b>

## 9 Other provisions

	2019 TDKK	2018 TDKK
Provision for production related liability	500	0
Provision for reestablishment of rented building	<u>125</u>	<u>0</u>
	<b>625</b>	<b>0</b>

## 10 Provision for deferred tax

Property, plant and equipment	12.663	11.154
Current assets	845	443
Liabilities	-138	-1.556
Tax on adjustments of hedging instruments for the year	<u>0</u>	<u>-46</u>
	<b>13.370</b>	<b>9.995</b>

## 11 Long term debt

Other payables	30.104	40.277
Current leasing liabilities	<u>1.565</u>	<u>0</u>
<b>Current part of long term debt</b>	<b>31.669</b>	<b>40.277</b>
Other non-current payables	6.255	0
Non-current lease liabilities	<u>981</u>	<u>0</u>
<b>Non-current part of long term debt</b>	<b>7.236</b>	<b>0</b>
<b>Of which falls due in more than 5 years</b>	<u><b>0</b></u>	<u><b>0</b></u>

# Notes to the Annual Report

## 12 Contingent assets, liabilities and other financial obligations

	<u>2019</u> TDKK
Fabriksvej 17, Helsingør	2.158
Mørdrupvej 145-147, Espergærde	<u>2.839</u>
<b>Contingent liabilities concerning VAT-regulations on owned properties</b>	<b>4.997</b>

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

	<u>2019</u> TDKK	<u>2018</u> TDKK
<b>13 Staff</b>		
Wages and Salaries	184.672	198.355
Pensions	17.324	16.779
Other social security expenses	<u>3.663</u>	<u>3.212</u>
	<b>205.659</b>	<b>218.346</b>

With referral to the Danish Financial Statements Act § 98b salary to the CEO is excluded.

<b>Average number of employees</b>	<u><b>400</b></u>	<u><b>418</b></u>
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## 14 Financial instruments

The Company has exited all forward exchange contracts during 2019. The contract value at 31 December 2018 amounted to kDKK 147

	<u>2019</u> TDKK	<u>2018</u> TDKK
<b>15 Fee to auditors appointed at the general meeting</b>		
Audit fee to the auditor	178	151
Non-audit services	<u>0</u>	<u>0</u>
	<b>178</b>	<b>151</b>

# Notes to the Annual Report

## 16 Changes in accounting policies

The company have implemented IFRS 15 and IFRS 16 in the financial year 2019 in accordance with the Danish Financial Statements Act. The effects of this implementation is as follows:

	2019 TDKK
Retained earnings, opening balance	233
Provision for deferred tax	49
Non-current lease liabilities	981
Current leasing liabilities	1.565
<b>Liabilities</b>	<b>2.828</b>
Leased assets	2.769
<b>Assets</b>	<b>2.769</b>
Administrative expenses	21
Financial expenses	-38
<b>Profit &amp; loss</b>	<b>-17</b>

## 17 Related parties

### Controlling interest

Trelleborg AB, Sverige

### Basis

Ultimate Parent Company

### Other related parties

Jesper Luja Thomsen

Board member and CEO

Kent Helmer Bergenholtz

Chairman

Bo Haugsted

Board member

Henrik Brauer

Staff Representative

Jan Eckhausen

Staff Representative

### Transactions

The Company has no transactions with related parties within the Trelleborg AB Group, except for intercompany transactions which have been eliminated in the Consolidated Financial Statements of Trelleborg AB, Sweden.

Apart from the above, there have been no transactions with other related parties during the year which have not been disclosed in the Annual Report, except for normal management remuneration.

### Group structure

The Company's share capital of DKK 18,000,000 is wholly owned by Trelleborg Holding Danmark A/S.

Trelleborg AB, Sweden is the Parent Company which prepares the consolidated financial statements in which the Company is included as a subsidiary.

# **Accounting Policies**

## **Basis of Preparation**

Financial Statements of Trelleborg Sealing Solutions Helsingør A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

IFRS 15 and IFRS 16 have been implemented during 2019. IFRS 15 have had no financial impact on the opening numbers, but IFRS 16 have changed all operating leases to financial leases hence affecting both the income statement and balance sheet, see note 16.

All other accounting policies applied remain unchanged from last year.

Financial Statements are presented in kDKK.

## **Recognition and measurement**

The Financial Statements have been prepared under the historical cost method.

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized cost are recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

## **Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognized in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognized in financial income and expenses in the income statement.

# **Accounting Policies**

## **Derivative financial instruments**

Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Receivables from group enterprises" and "Payables to group enterprises", respectively.

Changes in the fair values of derivative financial instruments are recognized in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

## **Income Statement**

### **Revenue**

Revenue from the sale of goods for resale and finished goods is recognized in the income statement when delivery and transfer of risk has been made before year end.

Revenue is recognized exclusive of VAT and net of discounts relating to sales.

### **Cost of sales**

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labor costs and indirect production costs such as maintenance and depreciation, etc., as well as operation, administration and management of factories.

### **Distribution expenses**

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

### **Administrative expenses**

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

### **Financial income and expenses**

Financial income and expenses comprise interest, realized and unrealized exchange adjustments as well as extra payments and repayment under the on account taxation scheme.

### **Tax on profit/loss for the year**

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity.

# Accounting Policies

## Balance Sheet

### Intangible assets

#### *Development projects*

Capitalized development costs are measured at cost less accumulated amortization and impairment losses or at a lower recoverable amount.

As of the date of completion, capitalized development costs are amortized on a straight-line basis over the period of the expected economic benefit from the development work, but not exceeding 5 years.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labor, materials, components and sub-suppliers.

For financial leased assets the cost comprises the lowest value of fair value of the asset and present value of future leasing payments.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	30-50 years		
Plant and machinery	7-13 years		
Other fixtures and fittings, tools and equipment	3-8	years	

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortization and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount. This impairment test is performed on an annual basis for development projects in progress irrespective of any indication of impairment.

# Accounting Policies

## **Financial fixed assets**

Financial fixed assets comprise non-current prepayments and are recognized at amortized cost

## **Inventories**

Inventories are measured at the lower of cost under the Standard Cost Method and net realizable value.

The net realizable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realizable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labor with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labor as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

## **Receivables**

Receivables are recognized in the balance sheet at amortized cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

## **Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and bought raw materials.

## **Equity**

### ***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

## **Provisions**

Provisions are recognized when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given to settle the obligation.

## **Deferred tax assets and liabilities**

Deferred tax is recognized in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognized in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

## **Accounting Policies**

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallize as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

### **Advance payments**

Advance payments from customers comprise payments received from customer prior to delivery

### **Current tax receivables and liabilities**

Current tax receivables and liabilities are recognized in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

### **Leasing liabilities**

Leasing liabilities concerning financial leased assets are recognized in the balance sheet as debt and measured from the time of contract signing at the present value of future leasing payments. After first recognition leasing liabilities are measured at amortized cost. The difference between the present value and the nominal value are recognized in the income statement over the contract period as a financial expense.

### **Financial debts**

Debts are measured at amortized cost, substantially corresponding to nominal value.

## **Cash Flow Statement**

Pursuant to section 86(4) of the Danish Financial Statements Act no cash flow statement has been prepared. The cash flow statement is included in the Consolidated Financial Statements of the Parent Company, Trelleborg AB, Trelleborg, Sweden.



# Accounting Policies

## Financial Highlights

### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$