

Trelleborg Sealing Solutions Helsingør A/S

Fabriksvej 17A, DK-3000 Helsingør

Annual Report for 1 January - 31 December 2021

CVR-nr. 26 23 05 19

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
/ 2022



Niklas Johansson
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 Helsingør A/S for the financial year 1 January - 31 December 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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

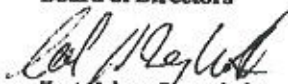
We recommend that the Annual Report be adopted at the Annual General Meeting.

Elsinore, March 30th 2022

Executive Board


Jens Engelbrecht Mortensen
CEO


Board of Directors


Kent Helmer Bergenholtz
Chairman

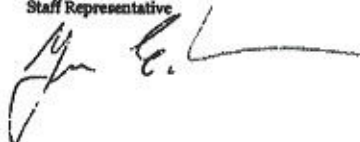

Bo Haugsted


Jens Engelbrecht Mortensen

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 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 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.

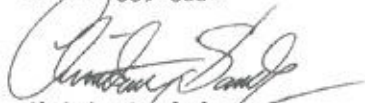
Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 30 March 2022

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 Henrik Brauer Jan Eckhausen
Executive Board	Bo Haugsted
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

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
Key figures					
Profit/loss					
Revenue	434.111	369.201	426.072	466.770	462.294
Gross profit/loss	192.148	104.982	144.073	167.903	193.240
Profit before financial income and expenses	95.693	44.302	75.340	99.965	128.351
Net financials	54	-1.025	-343	-811	-137
Net profit/loss for the year	74.921	33.883	57.592	77.370	99.990
Balance sheet					
Balance sheet total	315.344	260.967	266.940	239.475	251.795
Equity	204.452	159.531	125.648	137.823	150.079
Investment in property, plant and equipment	45.707	8.783	48.158	17.968	27.352
Number of employees	353	362	400	418	389
Ratios in %					
Gross margin	44,26%	28,43%	33,81%	36,00%	41,80%
Profit margin	22,04%	12,00%	17,68%	21,40%	27,80%
Return on assets	30,35%	16,98%	28,22%	41,70%	51,00%
Solvency ratio	64,83%	61,13%	47,10%	57,60%	59,60%
Return on equity	41,17%	23,76%	43,70%	53,70%	71,20%

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 only sells to other companies within the Group and exports all sales.

Development in the year

The Company has seen a positive development in revenue in the financial year 2021 leading to a revenue increase of app 17.6% compared to prior year – 2020 was however heavily affected by the Corona pandemic.

The profit for the financial year 2021 amounts to DKK 74,921k. For the financial year 2020 the similar profit amounted to DKK 33,883k.

The management considers the financial result to be satisfactory

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.

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

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 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 2021 the Board of Directors did not include any females since no changes in the board in 2021. 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 17% in 2021 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 2021 the number of females is 29% of the total staff. 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 an increase in revenue and profit for 2022, which is due to increase in global demand in the Automotive and Industrial segment.

Subsequent events

No material subsequent events have occurred.

Currently knowledge doesn't indicate that neither demand nor customer production should be negatively impacted during 2022 by the COVID-19 pandemic.

Uncertainties about measurement and valuation

Due to the cancellation of the construction of the new factory the building lot have been put up for sale. This has resulted in a reclassification of 24.3 mDKK from fixed assets under construction to Inventories, finished goods for resale.

Politic for data ethics

In accordance with Årsregnskabsloven §99 d, 2nd paragraph, the politics for data ethics are not included in this annual report. The politics for data ethics can be found in the annual report for Trelleborg AB.

Income Statement 1 January - 31 December

	Note	2021 kDKK	2020 kDKK
Revenue	1	434.111	369.201
Cost of sales		-241.963	-264.219
Gross profit		192.148	104.982
Distribution expenses		-54.575	-21.182
Administrative expenses		-42.775	-59.897
Operating profit		94.779	23.903
Other operating income	2	2.671	20.491
Other operating expenses		-1.777	-92
Profit before financial income and expenses		95.693	44.302
Financial income	3	1.007	885
Financial expenses	4	-953	-1.909
Profit before tax		95.747	43.278
Tax on profit for the year	5	-20.826	-9.395
Profit for the year		74.921	33.883
 Proposed distribution of profit			
Proposed dividend for the year		50.000	30.000
Retained earnings		24.921	3.883
		74.921	33.883

Balance sheet 31. december

Assets

	Note	2021 kDKK	2020 kDKK
Land and buildings		31.658	32.677
Plant and machinery		74.654	65.215
Other fixtures and fittings, tools and equipment		44.389	11.039
Property, plant and equipment under construction		7.971	42.818
Property, plant and equipment	6	158.672	151.749
Non-current receivables	7	1.220	680
Financial fixed assets		1.220	680
Fixed assets		159.892	152.429
Inventories	8	89.646	46.429
Trade receivables		0	19
Receivables from group enterprises		56.268	58.689
Other receivables	7	3.402	2.212
Corporate Tax		3.269	0
Prepayments	7	2.867	1.190
Receivables		65.806	62.110
Current assets		155.452	108.539
Assets		315.344	260.968

Balance sheet 31. december

Liabilities and equity

	Note	2021 kDKK	2020 kDKK
Share capital	9	18.000	18.000
Retained earnings		136.452	111.531
Proposed dividend for the year		<u>50.000</u>	<u>30.000</u>
Equity		204.452	159.531
Other provisions	10	325	870
Provision for deferred tax	11	<u>15.186</u>	<u>9.202</u>
Provisions		15.511	10.072
Non-current lease liabilities	12	<u>13.709</u>	<u>2.648</u>
Long-term debt		13.709	2.648
Trade payables		22.483	22.070
Payables to group enterprises		23.622	4.464
Other payables	12	33.665	58.433
Current lease liabilities	12	1.902	1.237
Corporate tax		<u>0</u>	<u>2.513</u>
Short-term debt		81.672	88.717
Debt		<u>95.381</u>	<u>91.365</u>
Liabilities and equity		<u>315.344</u>	<u>260.968</u>
Contingent assets, liabilities and other financial obligations	13		
Staff	14		
Fee to auditors appointed at the general meeting	15		
Related parties	16		

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	111.531	30.000	159.531
Ordinary dividend paid	0	0	-30.000	-30.000
Net profit/loss for the year	0	24.921	50.000	74.921
Equity at 31 December	18.000	136.452	50.000	204.452

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. 100% of the sales are exports to other group enterprises. These group enterprise sales can be split into 89% to EU, 8% to Asia and 3% to America. Therefore, the Annual Report does not include information about business segments and geographical markets.

2 Other operating income

Other operating income comprise public subsidies regarding salary compensation of 285 kDKK

3 Financial income

Interest received from group enterprises
Other financial income
Exchange gains

	2021 kDKK	2020 kDKK
	0	3
	1	2
	<u>1.006</u>	<u>880</u>
	1.007	885

4 Financial expenses

Interest paid to group enterprises
Other financial expenses
Exchange losses

	7	11
	143	195
	<u>803</u>	<u>1.703</u>
	953	1.909

5 Tax on profit/loss for the year

Current tax for the year
Regulation regarding previous years
Deferred tax for the year

	14.731	13.513
	111	50
	<u>5.984</u>	<u>-4.168</u>
	20.826	9.395

which breaks down as follows:

Tax on profit/loss for the year
Tax on changes in equity

	20.826	9.395
	<u>0</u>	<u>0</u>
	20.826	9.395

Tax on profit/loss for the year is calculated as follows:
Calculated 22% tax on profit/loss for the year before tax

21.064	9.521
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Tax effect of:

Tax on non-deductible expenses and non-taxable income
Tax on balance of extraordinary tax depreciation basis 2020-2022 (+16%)
transferred to ordinary tax depreciation basis
Tax on changes in equity

-139	-104
-99	-22
<u>0</u>	<u>0</u>
20.826	9.395

Notes to the Annual Report

6 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	174.328	48.512	64.924
Additions for the year	0	0	13.841	31.866
Disposals for the year	0	-686	-82	0
Transfers for the year	0	16.035	26.371	-88.819*
Cost at 31 December	54.779	189.677	88.642	7.971
Impairment losses and depreciation at 1 January	-22.102	-109.113	-37.467	-22.106
Depreciation & impairment for the year	-1.018	-6.128	-6.802	0
Reversal of impairment and depreciation of sold assets	0	218	15	22.106*
Impairment losses and depreciation at 31 December	-23.121	-115.023	-44.254	0
Carrying amount at 31 December	31.658	74.654	44.389	7.971

Included in the "Other fixtures and fittings, tools and equipment" are leased assets with a total carrying value of 15.658 kDKK per 31 December 2021

*The sale of a building lot has during the fiscal year 2021 been moved from building in progress to Inventory, finished goods. Transferred costs are 46.413 kDKK and impairment losses 22.106 kDKK equaling a total transferred asset of 24.307 kDKK

Depreciation and impairment of property, plant and equipment are recognised in the following items:	2021 kDKK	2020 kDKK
Cost of sales	8.426	11.237
Distribution expenses	1.995	0
Administrative expenses	1.644	946
	12.065	12.183

There are differences between the depreciations in the P&L and depreciations on the fixed assets, due to depreciations on stock at year-end

7 Other receivables & prepayments

Prepaid expenses	2.867	1.190
Other receivables	3.402	2.212
Short-term other receivables & prepayments	6.269	3.403
Prepaid expenses	0	279
Deposits	1.220	401
Long-term other receivables & prepayments	1.220	680
	7.489	4.083

8 Inventories

Raw materials and consumables	20.878	15.961
Work in progress	26.945	25.447
Finished goods, building lot for resale	24.307	0
Finished goods and goods for resale	17.516	5.021
	89.646	46.429

Notes to the Annual Report

9 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
1	17.000	17.000
		18.000

10 Other provisions

Provision for production related liability
Provision for reestablishment of rented building

2021 TDKK	2020 TDKK
0	745
<u>325</u>	<u>125</u>
325	870

11 Provision for deferred tax

Property, plant and equipment
Current assets
Liabilities

21.964	8.786
-3.272	607
<u>-3.506</u>	<u>-191</u>
15.186	9.202

12 Long term debt

Current leasing liabilities
Current part of long term debt

<u>1.902</u>	<u>1.237</u>
1.902	1.237

Non-current lease liabilities

<u>13.709</u>	<u>2.648</u>
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Non-current part of long term debt

13.709	2.648
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Of which falls due in more than 5 years

<u>7.199</u>	<u>0</u>
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Notes to the Annual Report

13 Contingent assets, liabilities and other financial obligations

	2021 TDKK
Fabriksvej 17, Helsingør	2.244
Mørdrupvej 145-147, Espergærde	2.884
Contingent liabilities concerning VAT-regulations on owned properties	5.128

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

	2021 TDKK	2020 TDKK
14 Staff		
Wages and Salaries	151.470	167.912
Pensions	15.425	15.614
Other social security expenses	2.515	2.826
	169.410	186.352

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

Average number of employees	353	362
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15 Fee to auditors appointed at the general meeting

Audit fee to the auditor	265	263
Non-audit services	263	398
	528	661

16 Related parties

Controlling interest

Trelleborg AB, Sverige

Basis

Ultimate Parent Company

Other related parties

Kent Helmer Bergenholtz

Chairman

Bo Haugsted

Board member & CEO

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 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The company have implemented SAP during the fiscal year of 2021. This new ERP system has affected how inventories are measured:

Change from FIFO to weighed average costs: where the previous method applied was FIFO, weighed average cost is now used under SAP. This change is assessed as immaterial with no changes to comparative numbers.

Change from standard cost to actual costing: SAP has also changed measurement of the stock from standard cost prices to actual costing. Since it's not possible to calculate the effect of this change before the implementation of the new ERP system, no changes have been made to the comparative numbers nor the Financial Highlights.

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.

Accounting Policies

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.

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.

Accounting Policies

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.

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	7-15 years
Other fixtures and fittings, tools and equipment	3-10 years

Accounting Policies

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.

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 Average 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.

Accounting Policies

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.

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.

Accounting Policies

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.

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	$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$