

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

Fabriksvej 17A, DK-3000 Helsingør

## **Annual Report for 1 January - 31 December 2022**

CVR-nr. 26 23 05 19

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
7/6 2023

  
Katarina Olsson  
Chairman

## **Table of Contents**

	<u>Page</u>
Managements Statement	1
Independent Auditor's Report on the Financial Statements	2
Company Information	5
Financial Highlights	6
Managements review	7
Financial Statements	9
Income Statement i January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Notes to the Annual Report	13
Accounting Policies	17

## 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 2022.

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 2022 of the Company and of the results of the Company operations for 2022.

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 22, 2023

**Executive Board**



Jens Engelbrecht Mortensen  
CEO

**Board of Directors**



Kent Helmer Bergenholtz  
Chairman



Bo Haugsted



Jens Engelbrecht Mortensen



Henrik Bruuner  
Staff Representative



Jan Eckhausen  
Staff Representative



## Independent Auditor's Report

To the Shareholder of Trelleborg Sealing Solutions Helsingør A/S

### **Opinion**

We have audited the financial statements of Trelleborg Sealing Solutions Helsingør A/S for the financial year 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 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.

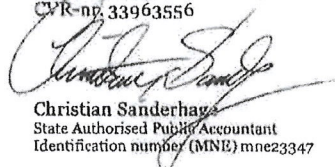
Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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 22, 2023

### Deloitte

Statsautoriseret Revisionspartnerselskab  
CVR-nr. 33963556



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

## Company Information

<b>The company</b>	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
<b>Board of Directors</b>	Kent Helmer Bergenholtz, Chairman Bo Haugsted Henrik Brauer Jan Eckhausen Jens Engelbrecht Mortensen
<b>Executive Board</b>	Jens Engelbrecht Mortensen
<b>Auditors</b>	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 2300 København S
<b>Lawyers</b>	SIRIUS advokater Frederiksberggade 11 DK-1459 København K
<b>Bankers</b>	Danske Bank Corporate Banking DK Holmens Kanal 2-12 DK-1092 København K

## Financial Highlights

	2022 TDKK	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	392.954	434.111	369.201	426.072	466.770
Gross profit/loss	130.517	192.148	104.982	144.073	167.903
Profit before financial income and expenses	11.338	95.693	44.302	75.340	99.965
Net financials	-566	54	-1.025	-343	-811
Net profit/loss for the year	8.573	74.921	33.883	57.592	77.370
<b>Balance sheet</b>					
Balance sheet total	325.222	315.344	260.967	266.940	239.475
Equity	163.025	204.452	159.531	125.648	137.823
Investment in property, plant and equipment	43.961	45.707	8.783	48.158	17.968
Number of employees	360	353	362	400	418
<b>Ratios in %</b>					
Gross margin	33,21 %	44,26%	28,43%	33,81%	36,00%
Profit margin	2,89 %	22,04%	12,00%	17,68%	21,40%
Return on assets	3,49 %	30,35%	16,98%	28,22%	41,70%
Solvency ratio	46,28 %	64,83%	61,13%	47,10%	57,60%
Return on equity	4,67%	41,17%	23,76%	43,70%	53,70%

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 negative development in revenue in the financial year 2022 leading to a decrease in revenue of app 9,5 % compared to prior year – 2022 was however heavily affected by the war in Ukraine, inflation and therefore very high price changes.

The profit for the financial year 2022 amounts to DKK 8.573k. For the financial year 2021 the similar profit amounted to DKK 74.921k. The expectations in the annual report for 2021 were a profit for the financial year 2022 of 95 mDKK. The negative development compared to the expectation is due to the same factors as described above for the revenue decrease.

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](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 2023 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 2022 the Board of Directors did not include any females even though the year has seen changes. 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 31% in 2022 to minimum 40% in 2025. This will be supported by our continuous effort to ensure diversity in in-house training, promotions, and recruitment process. In 2022 the number of females is 31% of the total staff. In 2021 the female ration of executives were 29%, so 2022 has seen an increase in the diversity of genders. Current level are 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 2023, due the falling inflation on direct materials and higher selling prices.

### **Subsequent events**

No material subsequent events have occurred.

### **Politic for data ethics**

In accordance with Årsregnskabsloven §99 d, 2<sup>nd</sup> 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.

[www.trelleborg.com/en/investors/reports/annual--reports](http://www.trelleborg.com/en/investors/reports/annual--reports)

## Income Statement 1 January - 31 December

	Note	2022 kDKK	2021 kDKK
<b>Revenue</b>	1	<b>392.954</b>	<b>434.111</b>
Cost of sales		-262.436	-241.963
<b>Gross profit</b>		<b>130.517</b>	<b>192.148</b>
Distribution expenses		-75.620	-54.575
Administrative expenses		-43.800	-42.775
<b>Operating profit</b>		<b>11.098</b>	<b>94.798</b>
Other operating income	2	816	2.671
Other operating expenses		-576	-1.777
<b>Profit before financial income and expenses</b>		<b>11.338</b>	<b>95.692</b>
Financial income	3	885	1.007
Financial expenses	4	-1.451	-953
<b>Profit before tax</b>		<b>10.772</b>	<b>95.746</b>
Tax on profit for the year	5	-2.198	-20.825
<b>Profit for the year</b>		<b>8.573</b>	<b>74.921</b>
<b>Proposed distribution of profit</b>			
Proposed dividend for the year		0	50.000
Retained earnings		8.573	24.921
		<b>8.573</b>	<b>74.921</b>

## Balance sheet 31. december

### Assets

	Note	2022 kDKK	2021 kDKK
Land and buildings		30.640	31.658
Leasehold improvements		1.190	0
Plant and machinery		69.284	74.654
Other fixtures and fittings, tools and equipment		37.183	44.389
Property, plant and equipment under construction		48.099	7.971
<b>Property, plant and equipment</b>	<b>6</b>	<b>186.396</b>	<b>158.672</b>
Non-current receivables	7	1.514	1.220
<b>Financial fixed assets</b>		<b>1.514</b>	<b>1.220</b>
<b>Fixed assets</b>		<b>187.910</b>	<b>159.892</b>
<b>Inventories</b>	<b>8</b>	<b>93.744</b>	<b>89.646</b>
Receivables from group enterprises		34.456	56.268
Other receivables	7	5.284	3.402
Corporate Tax		0	3.269
Prepayments	7	3.828	2.867
<b>Receivables</b>		<b>43.568</b>	<b>65.806</b>
<b>Current assets</b>		<b>137.312</b>	<b>155.452</b>
<b>Assets</b>		<b>325.222</b>	<b>315.344</b>

## Balance sheet 31. december

### Liabilities and equity

	Note	2022 kDKK	2021 kDKK
Share capital	9	18.000	18.000
Retained earnings		145.025	136.452
Proposed dividend for the year		0	50.000
<b>Equity</b>		<b>163.025</b>	<b>204.452</b>
Other provisions	10	2.805	325
Provision for deferred tax	11	13.814	15.186
<b>Provisions</b>		<b>16.619</b>	<b>15.511</b>
Non-current lease liabilities	12	11.865	13.709
<b>Long-term debt</b>		<b>11.865</b>	<b>13.709</b>
Trade payables		31.422	22.483
Payables to group enterprises		66.891	23.622
Other payables		30.108	33.665
Current lease liabilities	12	1.721	1.902
Corporate tax		3.571	0
<b>Short-term debt</b>		<b>133.713</b>	<b>81.672</b>
<b>Debt</b>		<b>145.578</b>	<b>95.381</b>
<b>Liabilities and equity</b>		<b>325.222</b>	<b>315.344</b>
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	136.452	50.000	204.452
Ordinary dividend paid	0	0	-50.000	-50.000
Net profit/loss for the year	0	8.573	0	8.573
<b>Equity at 31 December</b>	<b>18.000</b>	<b>145.025</b>	<b>0</b>	<b>163.025</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. 100% of the sales are exports to other group enterprises. These group enterprise sales can be split into 88% to EU, 9% to Asia and 3% to America. Therefore, the Annual Report does not include information about business segments.

### 2 Other operating income

Other operating income comprise sale of machine

	<u>2022</u> kDKK	<u>2021</u> kDKK
<b>3 Financial income</b>		
Interest received from group enterprises	41	0
Other financial income	0	1
Exchange gains	<u>844</u>	<u>1.006</u>
	<b>885</b>	<b>1.007</b>
<b>4 Financial expenses</b>		
Interest paid to group enterprises	381	7
Other financial expenses	80	143
Exchange losses	<u>891</u>	<u>803</u>
	<b>1.451</b>	<b>953</b>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	3.571	14.731
Regulation regarding previous years	0	110
Deferred tax for the year	<u>-1.372</u>	<u>5.984</u>
	<b>2.198</b>	<b>20.825</b>
which breaks down as follows:		
Tax on profit/loss for the year	2.198	20.825
Tax on changes in equity	<u>0</u>	<u>0</u>
	<b>2.198</b>	<b>20.825</b>
Tax on profit/loss for the year is calculated as follows:		
Calculated 22% tax on profit/loss for the year before tax	2.370	21.064
Tax effect of:		
Tax on non-deductible expenses and non-taxable income	7	-140
Tax on balance of extraordinary tax depreciation basis 2020-2022 (+16%) transferred to ordinary tax depreciation basis	-179	-99
Tax on changes in equity	<u>0</u>	<u>0</u>
	<b>2.198</b>	<b>20.825</b>

## Notes to the Annual Report

<b>6 Property, plant and equipment</b>	<b>Land and buildings</b> kDKK	<b>Leasehold improvements</b> kDKK	<b>Plant and machinery</b> kDKK	<b>Other fixtures and fittings, tools and equipment</b> kDKK	<b>Property, plant and equipment in progress</b> kDKK
Cost at 1 January	54.779	0	189.677	88.642	7.971
Additions for the year	0	0	0	0	43.960
Disposals for the year	0	0	-1.145	-628	0
Transfers for the year	0	1.213	1.535	1.084	-3.832
<b>Cost at 31 December</b>	<b>54.779</b>	<b>1.213</b>	<b>190.067</b>	<b>89.099</b>	<b>48.099</b>
Impairment losses and depreciation at 1 January	-23.121	0	-115.023	-44.254	0
Depreciation & impairment for the year	-1.018	-23	-6.905	-8.141	0
Reversal of impairment and depreciation of sold assets	0	0	1.145	479	0
<b>Impairment losses and depreciation at 31 December</b>	<b>-24.139</b>	<b>-23</b>	<b>-120.783</b>	<b>-51.915</b>	<b>0</b>
<b>Carrying amount at 31 December</b>	<b>30.640</b>	<b>1.190</b>	<b>69.284</b>	<b>37.183</b>	<b>48.099</b>

Included in the "Other fixtures and fittings, tools and equipment" are leased assets with a total carrying value of 13.446 kDKK per 31 December 2023

Depreciation and impairment of property, plant and equipment are recognised in the following items:	2022 kDKK	2021 kDKK
Cost of sales	11.492	8.426
Distribution expenses	2.441	1.995
Administrative expenses	2.169	1.644
	<b>16.102</b>	<b>12.065</b>

## 7 Other receivables & prepayments

Prepaid expenses	3.828	2.867
Other receivables	5.284	3.402
<b>Short-term other receivables &amp; prepayments</b>	<b>9.112</b>	<b>6.269</b>
Prepaid expenses	0	0
Deposits	1.514	1.220
<b>Long-term other receivables &amp; prepayments</b>	<b>1.514</b>	<b>1.220</b>
	<b>10.626</b>	<b>7.489</b>

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

## 8 Inventories

Raw materials and consumables	27.287	20.878
Work in progress	30.109	26.945
Finished goods, building lot for resale	24.307	24.307
Finished goods and goods for resale	12.041	17.516
	<b>93.744</b>	<b>89.646</b>



## 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	<u>17.000</u>	<u>17.000</u>
			<b>18.000</b>
		<u>2022</u>	<u>2021</u>
		TDKK	TDKK
<b>10 Other provisions</b>			
Provision for reestablishment of rented building		<u>2.805</u>	<u>325</u>
		<b>2.805</b>	<b>325</b>
<b>11 Provision for deferred tax</b>			
Property, plant and equipment		13.510	21.964
Current assets		-617	-3.272
Liabilities		<u>921</u>	<u>-3.506</u>
		<b>13.814</b>	<b>15.186</b>
<b>12 Long term debt</b>			
Current leasing liabilities		<u>1.721</u>	<u>1.902</u>
<b>Current part of long term debt</b>		<b>1.721</b>	<b>1.902</b>
Non-current lease liabilities		<u>11.865</u>	<u>13.709</u>
<b>Non-current part of long term debt</b>		<b>11.865</b>	<b>13.709</b>
<b>Of which falls due in more than 5 years</b>		<u>5.478</u>	<u>7.199</u>

## Notes to the Annual Report

### 13 Contingent assets, liabilities and other financial obligations

	<u>2022</u>
	TDKK
Fabriksvej 17, Helsingør	1.617
Mørdrupvej 145-147, Espergærde	<u>2.523</u>
<b>Contingent liabilities concerning VAT-regulations on owned properties</b>	<b>4.140</b>

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

	<u>2022</u>	<u>2021</u>
	TDKK	TDKK
<b>14 Staff</b>		
Wages and Salaries	163.337	151.470
Pensions	16.172	15,425
Other social security expenses	<u>3.678</u>	<u>2.515</u>
	<b>183.187</b>	<b>169.410</b>

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

<b>Average number of employees</b>	<u><b>360</b></u>	<u><b>353</b></u>
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### 15 Fee to auditors appointed at the general meeting

Audit fee to the auditor	324	265
Non-audit services	<u>103</u>	<u>263</u>
	<b>427</b>	<b>528</b>

## Notes to the Annual Report

### 16 Related parties

**Controlling interest**  
Trelleborg AB, Sverige

Basis

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Ultimate Parent Company

**Other related parties**  
Kent Helmer Bergenholtz  
Bo Haugsted  
Henrik Brauer  
Jan Eckhausen  
Jens Engelbrecht Mortensen

Chairman  
Board member  
Staff Representative  
Staff Representative  
CEO

#### Transactions

The Company has in 2022 sold goods to related parties of 393.5 mDKK, recharged internal costs to related parties of 20.9 mDKK, procured goods from related parties of 9.6 mDKK and been recharged internal costs from related parties of 20.1 mDKK.

Per 31 December 2022 the company has short-term receivables from group enterprises of 34.5 mDKK and short-term payables to group enterprises of 66.9 mDKK.

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.

#### Short summarization:

Trading with group enterprises consists of:

- Sale of goods: Based on internal fixed quotations which are cost+ based
- Internal recharge of costs: Contractual based recharges with a mark-up

#### Loan from parent company:

Loan from parent company of 50 mDKK has an internal interest rate of SE-LIBOR + 1%

#### 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 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

All 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.

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