



2019 Annual Report WITH ASSURED Sustainability Report

**WE PROTECT
WHAT MATTERS**

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○ = Included in the statutory Board of Directors' Report.

BOARD OF DIRECTORS' REPORT

This is a translation of Trelleborg's definitive Annual Report for 2019 in Swedish. The Swedish-language version is the original. The audited annual accounts and consolidated accounts for the 2019 fiscal year – the statutory Board of Directors' Report – are included on pages 10–29 and 38–119.

OTHER EXTERNAL ASSURANCE

The auditor has performed a limited assurance of the sustainability report, pages 15, 38–55 and 126–136. Refer to the Assurance Report on page 137, which includes the auditor's opinion regarding the statutory sustainability report in accordance with FAR's auditing standard RevR 12. The auditor has examined the corporate governance statement, pages 59–69, in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement.

SUSTAINABILITY REPORT ACCORDING TO GRI STANDARDS

Trelleborg's 2019 Sustainability Report is based on GRI standards, the Global Reporting Initiative's Sustainability Reporting Guidelines, according to the Core options. The scope of the sustainability report is outlined in the GRI Content Index on page 136. For more information and a detailed GRI Content Index, refer to the separate 2019 Sustainability Report, which can be downloaded from www.trelleborg.com.

TRELLEBORG AND THE UN GLOBAL COMPACT

Since 2007, Trelleborg has been affiliated with the UN Global Compact network, an initiative to promote responsible business practices in the areas of the environment, labor, human rights and anti-corruption.

OPERATIONS 2019

STRATEGY, MARKET & RISK

CORPORATE GOVERNANCE

FINANCIAL AND SUSTAINABILITY-RELATED INFORMATION

TRELLEBORG AND 2019 IN BRIEF

Trelleborg is a world leader in engineered polymer solutions that seal, damp and protect critical applications. The Group comprises three business areas – Trelleborg Industrial Solutions, Trelleborg Sealing Solutions and Trelleborg Wheel Systems, and a reporting segment, Businesses Under Development.

SALES

SEK 36,588 M

+8%

Net sales for 2019 increased 8 percent to SEK 36,588 M. Organic sales were unchanged compared with 2018.

ENERGY CONSUMPTION

1,414 GWH

-11%

Energy-efficiency measured as consumption relative to sales, improved 11 percent, which is clearly better than the annual internal goal of 3 percent.

EBIT, excluding items affecting comparability

SEK 4,658 M

-1%

EBIT, excluding items affecting comparability, declined 1 percent to SEK 4,658 M, corresponding to an EBIT margin of 12.7 percent.

NUMBER OF EMPLOYEES

23,935

NUMBER OF COUNTRIES WITH OPERATIONS

50

EARNINGS PER SHARE

SEK 11.89

Earnings per share, excluding items affecting comparability, amounted to SEK 11.89. For the Group in its entirety, earnings per share amounted to negative SEK 0.73.

SHARE OF THE TRELLEBORG GROUP'S NET SALES

General industry

36%

Light vehicles

11%

Capital-intensive industry

53%

19%



Transportation equipment

6%



Infrastructure construction

17%



Agriculture

7%



Aerospace

4%



Oil & gas

NET SALES PER REGION

North America

24%

Western Europe

47%

Rest of the world

29%

Of which:

Asia and other markets

16%

South and Central America

4%

Rest of Europe

9%

TRELLEBORG PROTECTS WHAT MATTERS

Modern-day society would not function without polymer materials, or rubber and plastics as they are commonly known. Machines, tools and accessories need sealing, damping and protecting using a material that is durable, elastic and tough.

Polymers are long chains of molecules that serve as building blocks in rubber and plastics. While there is only one chemical variant of natural rubber, synthetic rubber is available in some 20 variants. Using additives and mixes of various types, and when combined with other materials, such as metals and textiles, polymers gain very different properties.

SEAL

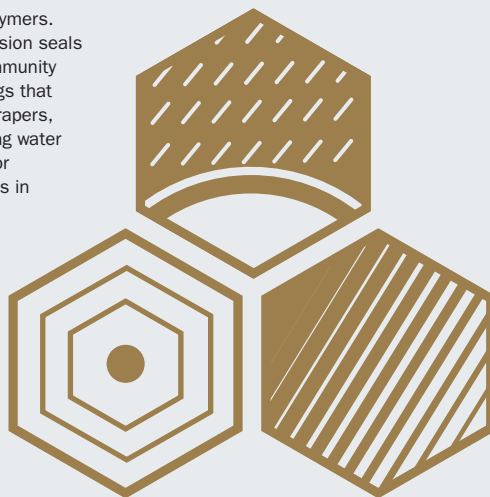
To seal is to fill a gap when joining two static or moving (dynamic) surfaces, thereby separating different media from each other.

A variety of applications can be sealed thanks to polymers. In aircraft, these could include various types of precision seals in control systems, landing gear and engines. In community infrastructure, applications include seals and bearings that extend the service life of bridges, tunnels and skyscrapers, or flexible pipe seals that provide sustainable drinking water and wastewater systems. A large product category for Trelleborg is seals for static and dynamic applications in machinery, tools and vehicles.

PROTECT

To protect is to help the environment, people, infrastructure and other assets to manage the impact from natural and man-made forces.

Polymers can withstand fire, corrosive materials and gases. Hoses in composite materials provide secure transfer of aviation fuel and aggressive chemicals. Boots for drive shafts and control systems protect vehicles. Seals protect industrial applications from wear. In agriculture, advanced tire and wheel solutions protect the soil through low compaction and spare the environment through low fuel consumption. A growing area is the use of polymer components in healthcare & medical.



DAMP

To damp is to absorb energy, thereby reducing vibration and noise.

The ability of polymers to absorb pulsating forces makes them a key material for vibration damping and thereby extending the service life of rail vehicles, vessels, industrial equipment and buildings. Polymers are also used as energy-optimized sealing solutions to minimize energy loss from friction. Sandwich constructions using rubber and aluminum can control both noise and vibrations in vehicles. Trelleborg's fenders dampen forces from vessels as they arrive at port.

SATISFACTORY YEAR IN A CHALLENGING BUSINESS CLIMATE

Trelleborg's net sales increased during the year by 8 percent compared with 2018 due to acquisitions finalized and the positive impact from exchange rates. The Group's EBIT, excluding items affecting comparability, was in line with the preceding year, and was the second best result so far for Trelleborg.

Peter Nilsson, President and CEO of Trelleborg, how would you summarize 2019?

We experienced a more challenging business climate in 2019. The agricultural and automotive industries, together with general industry, faced a more difficult economic situation during the year. We adapted to these downturns: in terms of costs and through inventory adjustments, and we initiated measures, for example, that will reduce the workforce by more than a thousand employees.

However, and this is important, we also maintained our focus on advancing our positions in the long term.

Sales to various infrastructure construction projects and the aerospace industry were favorable in 2019. Healthcare & medical continued to perform well. Acquisitions completed in recent years made a positive contribution to this. With our reorganization that will take effect in 2020, we are continuing to focus the Group to further improve and develop our leading positions in the segments and niches we serve.

Our net profit for the year was therefore satisfactory overall and one of our very best in several respects. We have strong, global positions and broad exposure to several different segments and markets.

Are you satisfied with this result and performance?

We are never fully satisfied. We can always become better and operate more effectively. I always come back to the fact that there are improvement opportunities in all areas and on all levels of the Group, irrespective of where we are, and encourage a sense of responsibility and commitment among all employees.

In concrete terms, how do work on improvements?

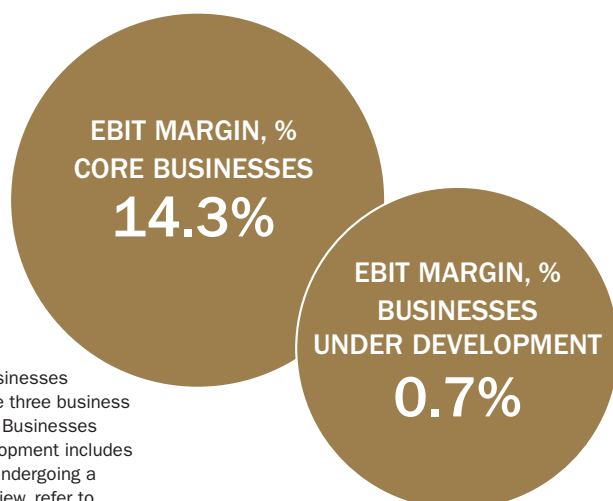
We work, for example, systematically with improvement activities through our Excellence programs in purchasing, production, sales, logistics and leadership. A shared feature of the programs is a continuous exchange of experience, which enables us to raise the bar for what can be achieved in our core processes. This is important in our decentralized organization.

An area that is equally important is our continuous portfolio management, which ensures that Trelleborg is represented in attractive niche positions and works toward the right customers and the right geographies. We evaluate our position on a continual basis and assess how it can be improved.

The reorganization, was it part of the same philosophy?

Yes, our clear ambition is to continue to develop and strengthen already high-performing and well-positioned business areas that have significant global operations, while at the same time highlighting areas where positions and profitability must be improved.





The core businesses comprise the three business areas, while Businesses Under Development includes operations undergoing a strategic review, refer to page 28.

A number of businesses are now undergoing a strategic review. These have been transferred to a new reporting segment that we call Businesses Under Development. They are required to improve their positions and profitability considerably within 12 to 24 months if they are to remain part of the Group. We will also continuously evaluate various structural alternatives in parallel with operational improvement activities.

In fact, this is not particularly that exceptional. It is *business as usual* in our decentralized organization, but we have chosen to highlight the operations in which we want to see an improvement in a way that we haven't done previously. It is our hope that this will also be simpler and clearer for external target groups that want to understand Trelleborg and where we are headed.

How has Trelleborg been impacted by various trade barriers and the uncertainty surrounding Brexit?

In total, we are not affected to any great extent by direct trade barriers. We have a major local presence in our markets and thus have no significant export flows. Furthermore, with our decentralized organization, we can adapt quickly and make changes – for example, in choosing where to locate our production.



With our decentralized organization, we can adapt quickly and make changes.”

But we are not immune to the political uncertainty during the year, which affected customers' investment decisions and future ventures.

For instance, a change of behavior has been seen with farmers that are currently buying far fewer tires than expected and not to the level that is required for the long-term growth of the market. It is abundantly clear that to manage both future population growth and environmental challenges, we need larger harvests per cultivated area, and accordingly, significant investments

in more efficient agricultural machinery. The same applies to demand for efficient, smart transport solutions, which inevitably must be created if the world's increasingly connected markets are to function.

It is therefore important for us to focus on our long-term positions and offerings, and not become caught in short-term economic fluctuations. We cannot influence the overall trend, but naturally, we adjust our operations and adapt to short-term demand levels.

How do you see the role of the Chinese market in your growth?

China is in the process of becoming the world's largest economy, which makes it a country in focus for Trelleborg. It is investing heavily in innovation and the country will soon be the global leader in several different segments.

We have never regarded China primarily as an export country, not even back when it could be considered a low-cost country. Instead, we accompanied our customers from Europe to China and became global with them. But now, more Chinese companies are becoming our customers. In their turn, they develop products for their very large domestic market, which could then become global.

In 2019, we continued to improve our positions in China and our ambition is no different moving forward.

And what about Africa?

Yes, definitely. Africa is expected to follow Asia as a growth region, but it still has a strong focus on raw materials and less focus on the domestic processing industry. We have some business operations in Africa and our first manufacturing facility is being established there. But our strategy is still to build initial positions to be prepared when domestic processing increases.

And your more traditional markets in Europe and North America?

It is easy to overlook these well-established areas with all of the media focus on the development of high-growth countries. But they are and will remain very important to us. It is there that we have the absolute majority of our

operations. We are continuing to acquire and invest in Europe and North America whenever it strengthens us as a Group. We can see many opportunities to continue this journey.

In mature markets such as these, the challenge is more in innovations that create attractive and effective customer offerings, which ultimately make us a more attractive partner, rather than finding new customers. This is our primary focus in these regions and to date we have succeeded well.

Can you explain the continued high level of investment in the Group?

We have had a high rate of investment for a few years, driven by a number of major individual investments. The level will remain relatively high during 2020, before it begins to decrease. We see that these investments are generating a healthy return for us in the form of reduced costs and higher sales, and it is therefore money well spent.

We work steadily and continuously to develop the Group, adjust our portfolio and improve our structure. Sometimes investments are directly connected with positive synergies following acquisitions, but in recent years, they have also been made to better leverage the opportunities of digitalization.

How are you working with digitalization?

Our ambition with digitalization is to use the new technology to simplify both internal processes and external offerings, which ultimately gives the customer a simpler and better solution.

It is incredibly important that there is an openness to think in a new and different way, and not merely take an old process and digitalize it. It is challenging to think afresh and to realize that an entirely new logic may apply, such as a different behavior with customers. In order to utilize the opportunities offered by digitalization, we need to constantly think innovatively.

At the end of the year, we had listed nearly 400 focused ongoing digitalization projects in various parts of the Group. They involve the development of smart and intelligent products, communication with our customers, as well as new business models or methods to sales.

Robots have been part of our production for some time, but naturally, we are also looking at increasing general automation of our manufacturing and various ways of enhancing the efficiency of our administrative processes through robotization, Artificial Intelligence (AI) and other tools.

Can you describe Trelleborg's sustainability ambitions?

We continue to have high ambitions in the area of sustainability. To us, it is a success factor that our

customers and other stakeholders regard Trelleborg as a company that has extensive knowledge of innovative solutions for a sustainable society. Having our customers use the right products, be it seals, tires or tunnel seals, is perhaps where we can impact the world's sustainability most.

At the same time, we obviously assume responsibility for our own operations in terms of the impact on people, the environment and the surrounding communities. We want to create an internal culture, in which sustainability is a natural part of our daily jobs. We are continuing to work systematically in Manufacturing Excellence so that all of our employees can be inspired to save further on resources and become even more safety conscious.

An important action in 2019, was renewing the knowledge of our Code of Conduct. For our employees, the Code of Conduct represents the most important regulatory and sustainability document. For this reason, we also offer training in 15 languages. Our Code of Conduct is central to our relationships with our suppliers and has long been a recurring feature of our assessments of those suppliers. A new activity awaits in 2020: sustainability training for all employees, which will make it easier to apply the UN's Sustainable Development Goals and to take a circular approach on a daily basis.

What about the climate issue?

The climate is naturally also high on the agenda and in this regard, we have spent time identifying effective ways forward. We are switching over our local energy supply at the pace that is possible, and we select renewable electricity where available. For example, during the year, we installed a biomass boiler that is powered by the remains of rubber trees in Sri Lanka. This has significantly improved our climate footprint in that country. In 2020, we will announce our new climate targets which address the 1.5-degree target for society and improved climate cooperation with our suppliers.

You have relatively high climate emissions in relation to other Swedish industrial companies?

Both in total and relative to sales, CO₂ emissions decreased in 2019.

However, tire manufacturing is relatively energy-intensive and is difficult to influence. In addition, we have operations in a number of countries with poorer climate footprints, where there are no alternatives to fossil energy sources. In this respect, it is fairer to compare Trelleborg with other tire manufacturers, where our goal is to demonstrate clearly lower climate emissions than our competitors. It is a fact that without tire manufacturing, we would more than halve our emissions in relation to sales.

Can you name some product categories with major potential?

We have leading positions in all of our main segments and we are investing in various ways to develop the Group further: expanding to new geographies, introducing new technologies, products and solutions, increasing or redistributing production capacity, and so forth.

Our largest and most profitable product category is our precision seals. Continuing the development of this part of the Group is high on our agenda.

Healthcare & medical is another exciting area in which we have both developed our own and acquired knowledge in polymer components, such as those used in the manufacture of pharmaceuticals, in direct patient contact or in medical devices. There is major potential for us in medical devices from a broad perspective, not least considering the trend of an aging, but also growing population.

In the entirely different area of rail transport, new and improved solutions are being developed, for example, axel bush technology, which reduces noise for passengers and the need for railway maintenance.



It is in the close relationships with our customers that we can generate the greatest value for them, and for us.”

And then we have our complete offering in agricultural tires. With a growing population and a greater sustainability focus, we believe strongly in this market in the long term. Agricultural equipment, and thus also tires, must become smarter, more efficient and more environmentally friendly, to be able to meet needs in the long term.

You are placing greater importance on offering complete solutions?

Yes, we are working actively to offer integrated solutions, that is, a complete solution and not only a product solution. Value generation exists in the customer relationship itself; being able to give them the best service in combination with the best product.

Today, we have an increasing share of such solutions in several areas of the Group, such as industrial tires, seals and harbor infrastructure. I am convinced that it is with our complete solutions that we will identify and be

able to create the most value for the customer, and thus also for ourselves. It is in the close relationships with our customers that we can generate the greatest value for them, and for us, when we can offer our capabilities in the best way.

Are you tired of questions about dependence on the automotive industry?

We have gone from being a major supplier to the automotive industry, with about a third of our sales ten years ago going to the industry, to about one tenth of our sales today. The reduction has been a highly deliberate strategy in this exciting, but demanding industry.

We are satisfied with the level of exposure to the automotive industry that we have now. We are world-leading and have found profitable niches, for example, in brake shims, selected seal segments and boots for drive shafts. We see opportunities in the ongoing electrification of vehicles and during the year we launched, for example, a new range of seals for electric and hybrid cars, which was very favorably received.

You are continuing to acquire companies?

Trelleborg certainly has a long history of acquisitions, but I want to emphasize that the Group is driven by an interaction between organic and acquired growth. Acquisitions are part of our portfolio management activities and we work continuously with potential acquisitions that could strengthen the Group, but it is organic development that primarily drives the growth of the Group.

That said, the acquisitions we work with are nearly exclusively smaller bolt-on acquisitions that complement us in our existing segments and niches, and strengthen our positions. These could be acquisitions that enable us to access new solutions, new customer categories or new geographies, and then strengthen an already existing position.

Are the required talents available?

You could say that it is an eternal talent hunt. There are now clear recruitment challenges in several areas of the Group, and in certain geographies there is also a shortage of qualified labor. Even though we are well-respected, established and have a good reputation in most of the locations that we are in, there is also competition for talent. When establishing new operations and making investments, we must increasingly consider whether the right capabilities and qualified labor are available. Companies are built on individuals, their ideas, capabilities and commitment.

Over time, we also need to keep our current talents motivated. They are Trelleborg and they are the ones who ensure that we continue to develop. We want them to stay at the company for a long time and therefore work with internal training in such areas as leadership, specialist courses and training within the scope of our Excellence program, and we let people develop with new responsibilities.

What benefits do internal diversity and inclusion offer the company at large?

You need to find the talent where it actually exists. In this respect, gender, age and religion, for example, play no part at all. We want to recruit locally where we are, because our employees must understand local developments to best be able to do business there. So, it is quite simply a matter of giving ourselves the best possibilities.

Our employees are our foremost resource on all levels. We must enable them to grow and develop with us. Those with most talent must be given the opportunity to change and be assigned greater responsibility over time. It is a process that is constantly ongoing, which we must never stop if we are to remain successful. In this, diversity and inclusion represent a strength for us.

What is your own role in the company's continued development?

Good leadership at all levels and in all geographies is a question of maintaining a high pace of activity built on recognition, trust, openness and humility.

We ensure that we have the right managers in the right places and that major strategic decisions are implemented in an effective and correct manner. This includes keeping everyone motivated, getting us to constantly challenge ourselves and to seek new ways. We also need to be one step ahead, dare to make decisions and drive change, and have a helicopter view that challenges our decentralized organization so that necessary changes actually occur and that they occur quickly when decisions are made.

A successful Trelleborg requires motivated employees. I want us all to stand with our feet firmly on the ground, see reality as it is, act accordingly and do so both methodically and swiftly.

Trelleborg, February 2020

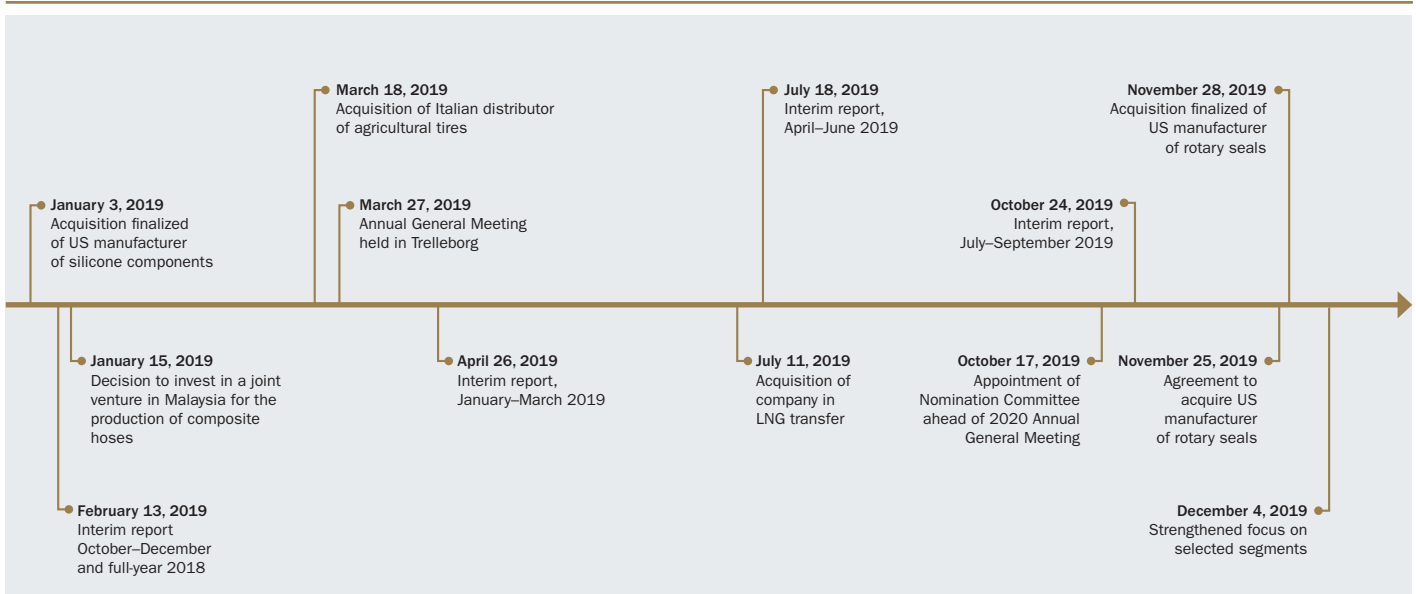
3,600

employees have completed the course on diversity and inclusion.

95%

of employees work outside Sweden.

KEY EVENTS IN 2019





OPERATIONS 2019

Strong position despite challenges

Despite a tougher business environment during the year, Trelleborg continued to assert its position as a world leader in engineered polymer solutions.



In a building's facade, seals are unseen but critical elements. Profile seals are used to glaze glass panels into curtain walls and facades, to provide air and water-tight seals within the facade system and to provide seals around the perimeter of unitized wall panels. They are also used in expansion joints and to seal operable units such as windows and doors.

TRELLEBORG AS AN INVESTMENT

Trelleborg is working continuously to create value for all its stakeholders. For those who have already, and those who are considering, an investment in Trelleborg, there are a number of factors that form the basis for the Group's value creation.

» GLOBAL TRENDS SUPPORT BUSINESS FOCUS

Trelleborg operates in selected market segments where the Group has the potential to achieve favorable profitability and leading positions. Global trends such as urbanization, population growth and increased transportation benefit Trelleborg's choice of segments and support the focus on products and solutions for better sustainability.

» STRONG POSITION AND VALUE CREATION BUILT ON APPLICATIONS EXPERTISE

Trelleborg's strong positions with engineered products and solutions are the result of in-depth applications expertise that reflects customers' needs and play a critical role in their applications.

» CONTINUOUS OPTIMIZATION OF THE PORTFOLIO AND PROCESSES

Trelleborg's continuous efforts to improve its geographic balance, optimize its portfolio, improve its structures and strive for Excellence have yielded consistent and strong results, even in years with lower growth.

» BALANCED EARNINGS AND STRONG CASH FLOW

Trelleborg operates in market segments with a favorable balance between early and late cyclical industry, thus providing balanced earnings. The Group's strong cash flow allows it to maintain a high rate of acquisitions and offer favorable dividends in parallel with facilitating organic growth.

SEK 4.75

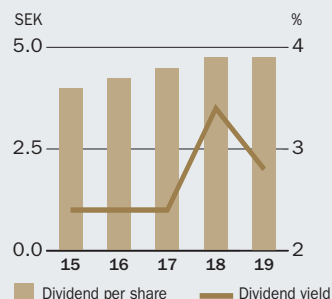
The proposed dividend corresponds to about 46 percent of the net profit for the year excluding impairment losses on capital employed in the Businesses Under Development reporting segment.

DIVIDEND

Trelleborg's dividend policy is that, over the long term, the dividend should amount to between 30 and 50 percent of the net profit for the year. The dividend is adjusted for such factors as the Group's earnings level, financial position and future development potential.

For 2019, the Board proposes a dividend of SEK 4.75 (4.75) per share, which corresponds to about 46 percent of the net profit for the year excluding impairment losses on capital employed in the Businesses Under Development reporting segment.

DIVIDEND PER SHARE AND DIVIDEND YIELD



STOCK MARKET YEAR FOR THE TRELLEBORG SHARE

2019 again saw strong growth on the Swedish stock market following a weak 2018 and Nasdaq Stockholm rose by 31 percent. The performance of the Trelleborg share was also positive during the year, which improved the share's total yield over the 12-month period.

Share performance. The price of Trelleborg's Series B share increased 21 percent (+27) in 2019 while the index of comparable industrial companies, SX2000 Stockholm Industrials, rose 47 percent (+14). Nasdaq Stockholm, in its entirety, increased 31 percent (+8).

Total yield. The Trelleborg share's total yield grew 25 percent during the year, compared with a 35 percent increase for OMX GI ¹. Over the past five years, Trelleborg's Series B share has averaged a total yield of 9 percent per year. The corresponding figure for OMX GI is 14 percent.

Share price and turnover. In addition to Nasdaq Stockholm, the Trelleborg share is traded on such marketplaces as Cboe CXE ², Turquoise and Cboe BXE ³. Nasdaq Stockholm is the largest, with 78 percent (67) of the share trading.

Total trading in the Trelleborg Series B share in 2019 amounted to 310 million shares (272) at a total value of SEK 44,964 M (50,552), which corresponds to an average daily turnover of 1,239,931 shares (1,088,413) or sek 180 M (202) per trading day.

During 2019, the highest price was SEK 174.75 on

December 20, and the lowest price was SEK 119.55 on August 15.

Shareholders. Trelleborg's Series B share has been listed on the stock exchange since 1964. The share is currently quoted on the Nasdaq Stockholm Large Cap under TREL B. The share capital in Trelleborg amounts to SEK 2,620 M, represented by 271,071,783 shares, each with a par value of SEK 9.67. Trelleborg has two classes of shares: 28,500,000 Series A shares and 242,571,783 Series B shares. Each Series A share carries ten votes and each Series B share carries one vote.

All of the Series A shares are owned by the Dunker Interests, comprising a number of foundations, donation funds and asset-management companies created through testamentary disposition by former owner and founder of Trelleborg AB, Henry Dunker, who died in 1962. For further information about the Dunker Interests and its holding in Trelleborg AB, visit www.trelleborg.com and www.dunkerstiftelserna.se.

Analysts. For a current list of the analysts who continuously monitor Trelleborg, visit www.trelleborg.com.

COMMON QUESTIONS FROM INVESTORS

The Task Force on Climate-related Financial Disclosures (TCFD)? An overview of Trelleborg's work in line with the recommendations of TCFD can be found on page 41.

Tax? Tax is part of Trelleborg's corporate responsibility and its social responsibility to contribute to public welfare. Taxes as a portion of the total value created by Trelleborg, is reported on page 19.

Impact of weak Swedish Krona? Swedish exports and accordingly the consequences of a weak/strong Swedish Krona are not particularly big in relation to other markets and their currencies. See page 111.

Impact of trade tariffs? Trade tariffs do not affect Trelleborg to any great extent as the Group has a large local presence and consequently no significant export flows.

An increase of the margin target? When and if it becomes relevant to adjust the margin target, it will be communicated in the usual way.

Few acquisitions in Asia? Historically, there have been more suitable and available companies to acquire in Europe and North America. Instead, the Group has focused on various organic initiatives in order to grow in Asia.

Funds for acquisitions? The Group's financial structure would allow more acquisitions. Moving forward, we expect that we will continue to make smaller bolt-on acquisitions.

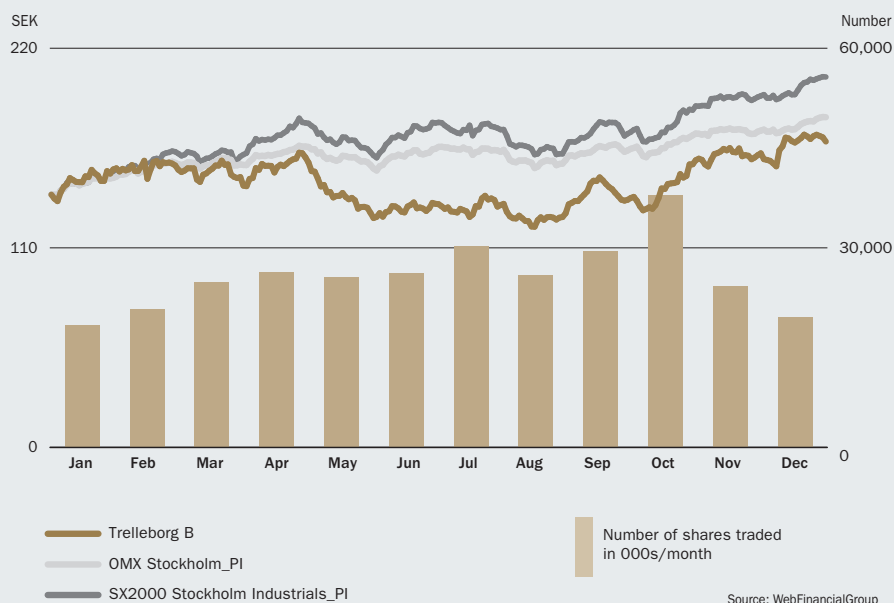
Scope 3 emissions? With the upcoming climate targets, Trelleborg will take into consideration emissions across the value chain, Scope 3. See page 41.

¹ OMX GI (Nasdaq Stockholm Generalindex), the average trend on Nasdaq Stockholm including dividends.

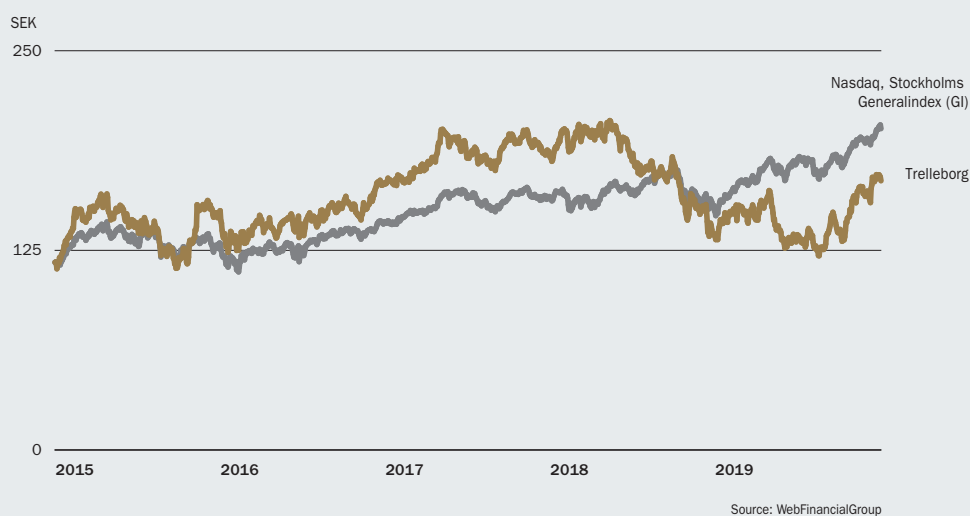
² Previously ChiX.

³ Previously BATS Europe.

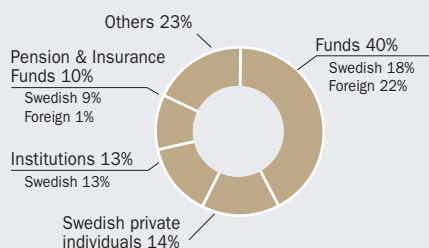
PRICE TREND AND TRADING VOLUME JANUARY 1 – DECEMBER 31, 2019



TOTAL YIELD, TRELLEBORG COMPARED WITH NASDAQ STOCKHOLM GENERALINDEX (GI)

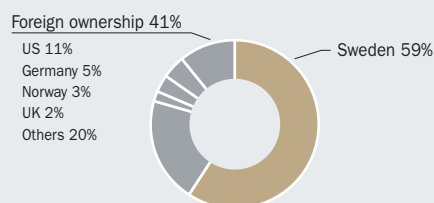


OWNER TYPES, % OF CAPITAL



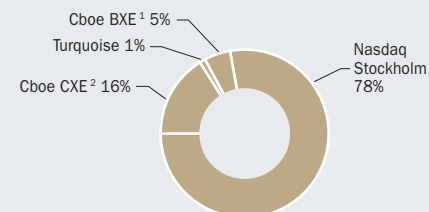
Source: Monitor by Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others

OWNER BY COUNTRY, % OF CAPITAL



Source: Monitor by Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others

TRADING PLATFORMS, % OF TOTAL TRADING



Source: WebFinancialGroup

¹ Previously BATS Europe.

² Previously ChiX.

KEY DATA PER SHARE

SEK	2019	2018	2017	2016	2015
Continuing operations					
Earnings	-0.73	11.77	10.60	8.18	7.73
Earnings, excluding items affecting comparability	11.89	12.34	10.82	9.23	8.39
Total					
Earnings ¹	-0.73	11.77	10.60	24.30	9.60
Shareholders' equity ¹	107.78	111.14	100.40	92.73	68.70
Dividend	4.75 ²	4.75	4.50	4.25	4.00
Dividend as a % of earnings per share	46 ³	40	42	17	42
Dividend yield, %	2.8	3.4	2.4	2.4	2.4
Total dividend, SEK M	1,288	1,288	1,220	1,152	1,084
P/E ratio	-231	12	18	7	17

¹ There were no dilutive effects.

² As proposed by the Board of Directors.

³ For 2019, calculated excluding impairment losses on capital employed in the Businesses Under Development reporting segment.

SERIES B SHARE

SEK	2019	2018	2017	2016	2015
Highest price	174.75	215.10	212.20	186.00	180.20
Lowest price	119.55	134.70	173.20	134.50	123.20
Market price, Dec. 31, last paid price	168.55	139.35	190.00	179.30	164.80
Market capitalization, Dec. 31, SEK M	45,689	37,774	51,504	48,603	44,673
No. of shares, Dec. 31, Series A and B shares	271,071,783	271,071,783	271,071,783	271,071,783	271,071,783
No. of shareholders	52,662	48,125	49,709	52,282	50,849

TRELLEBORG AB'S TEN LARGEST SHAREHOLDERS, DECEMBER 31, 2019

Shareholder	TREL A (No. of shares)	TREL B (No. of shares)	Value (SEK M)	% of capital	% of voting rights
1 Henry Dunker Donation Fund & Foundations	28,500,000	400,000	4,990 ⁴	10.66	54.10
2 Didner & Gerge Funds		12,065,745	2,083	4.45	2.29
3 Handelsbanken Funds		10,314,218	1,781	3.80	1.96
4 Lannebo Funds		9,703,740	1,675	3.58	1.84
5 Allianz Global Investors		7,915,782	1,367	2.92	1.50
6 Vanguard		6,882,590	1,188	2.54	1.30
7 Second Swedish National Pension Fund		6,083,872	1,050	2.24	1.15
8 Norges Bank		5,695,698	983	2.10	1.08
9 AFA Insurance		4,987,343	861	1.84	0.95
10 BlackRock		4,124,866	712	1.52	0.78

Source: Monitor by Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others

⁴ TREL A is not traded on any marketplace but is assessed as having the same value as TREL B.

DISTRIBUTION OF SHARES, DECEMBER 31, 2019

No. of shares	No. of shareholders	% of capital	% of voting rights
1-1,000	43,942	4.4	2.2
1,001-5,000	7,176	5.8	3.0
5,001-20,000	1,156	3.9	2.0
20,001-	388	85.9	92.8
Total	52,662	100.0	100.0

CLASS OF SHARES, NUMBER OF SHARES, CAPITAL AND VOTES

Class of share	No. of shares	% of capital	% of voting rights
Series A shares	28,500,000	10.5	54.0
Series B shares	242,571,783	89.5	46.0
Total	271,071,783	100.0	100.0

Source: Monitor by Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others

TARGETS AND OUTCOMES 2019

Several market segments experienced a more challenging business climate in 2019, which had an adverse impact on earnings at the same time as the Group overall reported continued high efficiency and cost control. The selected key sustainability figures demonstrated a continued positive trend.

FINANCIAL TARGETS

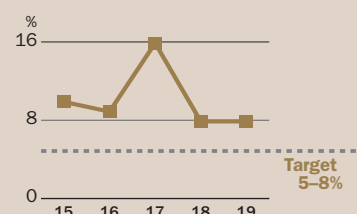
Sales growth

TARGET 5–8%

Total sales growth, including organic growth in excess of the underlying market growth for continuing operations over an economic cycle.

OUTCOME 8.0%

Sales growth was 8 percent (8). The organic sales increase was SEK 28 M, corresponding to about 0 percent. Structural changes made a positive contribution of 3 percent and exchange rate effects had a positive impact on sales of 5 percent compared with 2018.



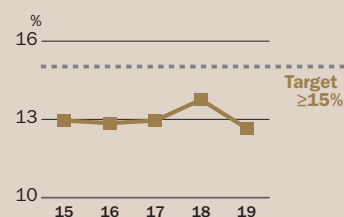
EBIT margin

TARGET ≥15%

EBIT margin, excluding items affecting comparability for continuing operations over an economic cycle.

OUTCOME 12.7%

The EBIT margin was 12.7 percent (13.8). It was mainly impacted by a sharp decrease in sales of tires for agricultural machines.



Return on shareholders' equity

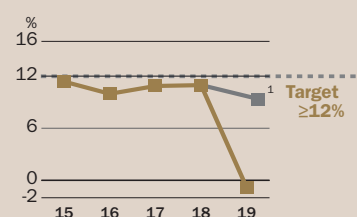
TARGET ≥12%

Return on shareholders' equity (ROE) including items affecting comparability for continuing operations over an economic cycle.

OUTCOME -0.7%

Return on shareholders' equity for continuing operations declined to -0.7 percent (11.1). The negative change was primarily a result of impairment losses on capital employed in the Businesses Under Development reporting segment.

The return on shareholders' equity excluding items affecting comparability amounted to 10.9 percent (11.7).



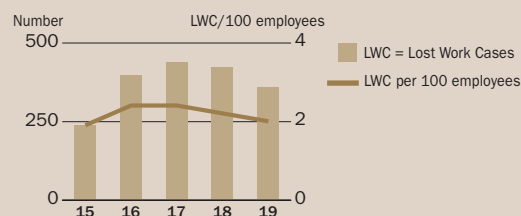
¹ Excluding items affecting comparability.

RESOURCES

Health & safety

Target/focus: To reduce occupational injuries and illnesses with at least one day's absence – Lost Work Cases (LWC). In addition, the average number of working days lost due to occupational injuries and illnesses is to decrease.

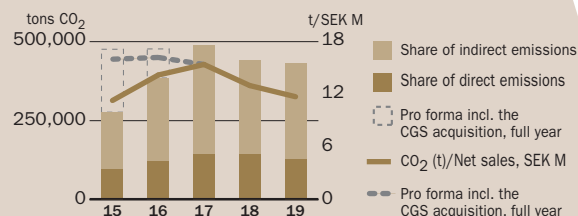
Outcome: In 2019, the average was 2.0 LWCs (2.2) per 100 employees. The average number of days lost per injury was 28.3 (28.7).



Climate

Target/focus: The “20 by 20” target aims to reduce direct and indirect carbon emissions (Scope 1 and 2) by at least 20 percent relative to sales by 2020 (compared with base year 2015 of 16.0 metric tons/SEK M).

Outcome: In 2019, the value was 11.7 tons per SEK M, which corresponds to a 27 percent decrease compared with the base year.



COMPLIANCE

Anti-corruption and human rights

Target/focus: Zero tolerance applies to bribery, corruption, cartel and other criminal behavior, child and forced labor, as well as discrimination (reported and reviewed).

Outcome: 0 cases (0) of significant breaches of laws and permits that resulted in legal consequences or fines were reported in 2019. Furthermore, 0 cases (0) of child labor or forced labor were reported. Of 11 reported cases of discrimination (7), a settlement was reached between the parties or other measures were taken in 6 (4), while 5 cases (3) are still being processed. During the year, 17 matters (18) were dealt with that originated from the whistleblower system. In some cases, reviews were carried out, which identified non-compliances with the Group's Code of Conduct, and relevant measures were taken in these cases.

Suppliers

Target/focus: Suppliers corresponding to at least 80 percent of the reported relevant purchasing spend in the production units are to have completed a self-assessment in accordance with Trelleborg's Code of Conduct.

Outcome: Trelleborg met the defined target level in 2019. Suppliers corresponding to 86.4 percent (85.5) of the reported relevant purchasing spend were reviewed.

SOCIAL ENGAGEMENT

Local communities

Target/focus: Trelleborg supports local communities through various activities. This takes place at selected locations by supporting the development of young people, an activity that is to continuously develop over time.

Outcome: In most of the locations where Trelleborg operates, the company has partnerships with, for example, schools and universities. Youth and community activities are prioritized in sports sponsorship. Trelleborg is also involved in a number of special programs for children and youth development in such countries as Sri Lanka, India and Sweden. A new youth program was started in China in 2019.

STABLE DESPITE CONTINUING CHALLENGES

The earnings trend varied within the Group, with a positive performance by the Trelleborg Industrial Solutions and Trelleborg Sealing Solutions business areas while weaker demand for tires for off-highway vehicles had a negative impact on Trelleborg Wheel Systems.



During the year, eight minor acquisitions took place and Trelleborg's dividend to the Parent Company's just over 50,000 shareholders amounted to SEK 1,288 M."

Ulf Berghult,
Chief Financial Officer

How would you summarize 2019?

The Group's net sales increased during the year by 8 percent compared with 2018 due to acquisitions completed and the positive impact from exchange rates. The market trend varied between the segments served by the Group. Developments in the aerospace industry

segment and oil & gas were positive during the year, while the trend for general industry was largely stable or slightly negative. The demand trend for both tires in the agricultural sector as well as tires for material handling and construction vehicles was negative.

Group EBIT, excluding items affecting comparability, was at a similar level to the preceding year.

And cash flow?

The Group's operating cash flow improved to SEK 4,174 M. This was largely due to a positive change in working capital and a lower level of investment compared with the year-earlier period. The level of investment decreased 7 percent compared with 2018 to SEK 1,797 M.

Substantial impairment losses were reported at the end of 2019.

Yes, the fourth quarter interim report recognized impairment losses on capital employed of approximately SEK 3,200 M. The impairment losses are related to the Businesses Under Development reporting segment and were the result of an assessment of the future earnings trend for the assets. This should also be viewed in light of the estimated market value.

What were these?

Impairment losses on capital employed mainly consisted of intangible assets, most of which were goodwill.

What margins can we expect to see from Businesses Under Development?

Businesses Under Development does not have a joint margin target.

However, each operating unit has its own set of relevant business targets, though we have chosen not to communicate these externally. We are working actively to improve the position and profitability of each business and will naturally regularly communicate important events in the years to come.

Is there anything you can say about the restructuring costs?

Our restructuring costs increased in conjunction with the package of measures launched and announced in the second quarter, and amounted to about SEK 250 M. Restructuring costs in the full-year doubled and accordingly amounted to approximately SEK 500 M.

We have had significant restructuring costs in recent years, which mainly are a result of the large number of acquisitions finalized. However, we expect these costs to gradually decrease.

What type of restructuring is taking place?

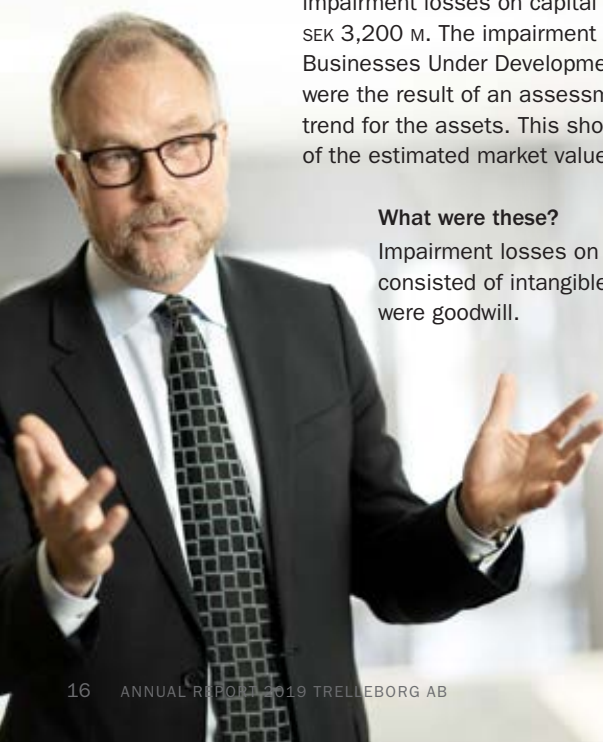
There are a number of measures that will strengthen Trelleborg's structure in different ways. Often, this means a manufacturing unit is moved to another geographic market, in other cases it means upgrading and developing the operation where it is.

Larger relocations and adjustments to production were made in conjunction with the integration of the industrial Group CGS's tire business, which was acquired in 2016.

And your investments?

The level of investment has been relatively high in recent years, partly as Trelleborg is a larger company now than in the past, partly due to our focused initiatives in Europe, North America and Asia. One such investment is a new production line at our facility in Kalmar, Sweden, which will considerably increase the production capacity for brake shims.

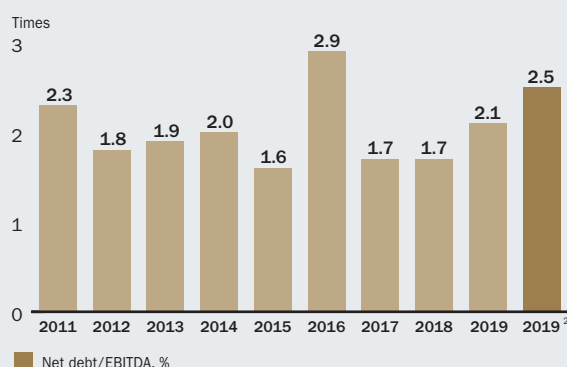
Future investment levels will not be quite as high.



Key figures, continuing operations, SEK M	2019	2018	2017	2016	2015
Net sales	36,588	34,005	31,581	27,145	24,803
Organic sales, %	0	3	4	-5	-2
Structural changes, %	3	1	12	15	2
Exchange rate effects, %	5	4	0	-1	10
EBIT, excluding items affecting comparability	4,658	4,694	4,091	3,496	3,219
EBIT margin, %	12.7	13.8	13.0	12.9	13.0
Items affecting comparability	-3,696	-176	-69	-391	-257
EBIT	962	4,518	4,022	3,105	2,962
Profit before tax	581	4,236	3,792	2,896	2,809
Net profit, discontinuing operations	-	0	0	4,369	509
Net profit, Group	-199	3,190	2,874	6,585	2,605
Earnings per share for continuing operations, SEK ¹	-0.73	11.77	10.60	8.18	7.73
Earnings per share, Group, SEK ¹	-0.73	11.77	10.60	24.30	9.60
Operating cash flow	4,174	3,495	3,739	3,548	2,310

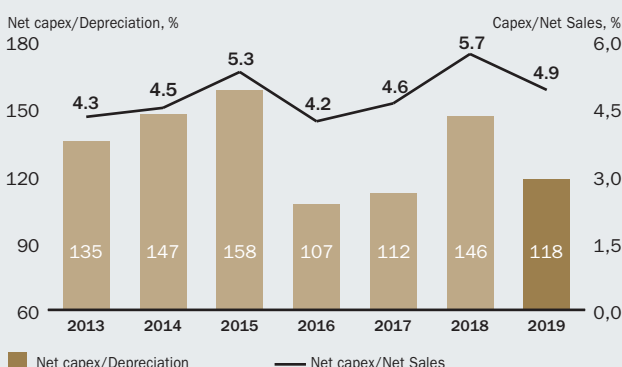
¹ Including items affecting comparability.

NET DEBT IN RELATION TO EBITDA



² Group, including impact of lease and pension liability.

INVESTMENTS IN RELATION TO DEPRECIATION/AMORTIZATION AND NET SALES ³

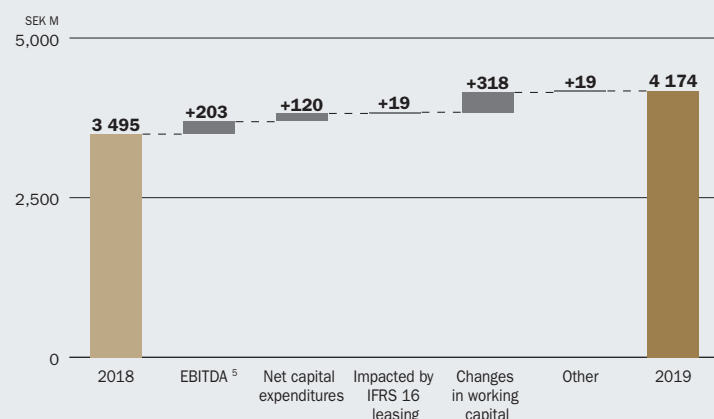


³ Excluding investments and depreciation of right-of-use assets (leasing assets).

Net debt/EBITDA, excluding the impact of IFRS 16 and pension liabilities, was relatively high in 2019, mainly attributable to the relatively high pace of acquisitions.

Investments/depreciation/amortization normalized in 2019 and amounted to 118 percent.

OPERATING CASH FLOW, CHANGE BETWEEN 2018 AND 2019 ⁴



⁴ Excluding items affecting comparability.

⁵ Including other non-cash items and excluding impact from IFRS 16 Leases.

Improvements to operating cash flow in 2019 were driven by a positive change in working capital and a lower level of investment compared with the year-earlier period.

LONG-TERM FINANCIAL GUIDANCE

- » Dividend: 30–50 percent of net profit
- » Capital expenditures: ~4–5 percent in relation to net sales
- » Gearing net debt/equity: 50–100 percent

FINANCIAL GUIDANCE 2020

- » Restructuring costs: ~SEK 300 M
- » Capital expenditures: ~SEK 1,600–1,800 M
- » Underlying tax rate: ~25 percent
- » Amortization of intangible assets: ~SEK 400 M

For complete income statements, balance sheets and cash-flow statements, refer to pages 72–80.

VALUE GENERATION AT TRELLEBORG



BUSINESS CONCEPT

To seal, damp and protect. Trelleborg's business concept is to seal, damp and protect critical applications in demanding environments.

STRATEGY

Strategy for leading positions.

Trelleborg's strategy is to secure leading positions in selected segments. This means that Trelleborg seeks segments, niches and product categories that – by virtue of the Group's market insights, core capabilities and offering of advanced products and solutions – provide market leadership. In this manner, long-term shareholder value and added value are generated for customers.

Trelleborg works with the strategy, both Group-wide and in the business areas, supported by four strategic cornerstones that – individually and in combination – underpin the strategy. The strategic cornerstones are:

- » Geographical balance
- » Portfolio optimization
- » Structural improvements
- » Excellence

Read more on pages 34–35.

CORE VALUES

Trelleborg's core values – customer focus, innovation, responsibility, and performance – are long-term commitments that, together with Trelleborg's business concept, targets and strategies, guide the Group when making decisions and conducting business. Read more on page 62.

CORPORATE CULTURE

Trelleborg's internal culture. The Group is characterized by far-reaching delegation of responsibilities and powers and encourages rapid decisions. Trelleborg has a culture that promotes commitment, responsibility, good ethics in business relationships, and positive interaction with the community in which the Group conducts operations.

CORE CAPABILITIES

Polymer engineering and local presence combined with global reach form the basis of Trelleborg's offering. Together with the value-driving factors of applications exper-

tise and customer integration, these act as a business accelerator for Trelleborg's customers.

» Polymer engineering

Trelleborg should be best at developing polymer-based solutions that optimize and accelerate customers' applications and processes.

» Local presence, global reach

Trelleborg leverages global strength and capabilities, while acting as a local partner to customers.

» Applications expertise

Trelleborg should be best at understanding customers' applications, thereby adding the most value.

» Customer integration

Trelleborg makes it easy to do business with the Group and integrates in close partnerships with its customers.

» Business accelerator

Powered by these core capabilities, the aim is always to improve, accelerate and grow customers' businesses. Trelleborg grows together with its customers.

SUSTAINABILITY CONSIDERATIONS

Read more about outcomes for the year in sustainability and about Trelleborg's preventative work on pages 36–49 and 126–135.

Raw materials

The Group's most important raw materials comprise polymers, usually natural or synthetic rubber, that are combined with metal components or textiles as well as additives, such as softening agents, fillers and vulcanizing agents.

Energy and climate

The Group's energy consumption and climate impact mainly relate to its own generation of steam for production purposes (direct energy/direct emissions) and to purchased electricity, steam or district heating (indirect energy/indirect emissions).

Impact on people and the environment

Trelleborg's manufacturing and the materials used impact people and the environment in several ways. Examples include occupational accidents and illnesses, energy consumption, climate impact, water consumption, waste and emissions, mainly to air.

Upstream in the value chain

The production of raw materials and components upstream has itself a significant environmental impact. Moreover, the environment is affected by transport activities and historical soil or groundwater contamination.

INNOVATION

Better function, better business, better sustainability. The core of Trelleborg's product development is engineered polymer solutions that meet customer-specific requirements for functional properties. In various ways, the purpose of these is also to improve business factors – productivity, costs, sales and profitability – and the sustainability profile for customers.

MARKET SEGMENTS

Trelleborg's market segments. The seven selected market segments are a mix of general industry, capital-intensive industry and light vehicles, which represent as a whole a favorable balance between early and late cyclical industries. The Group's exposure to various market segments has changed over time to balance the demand. Read more on page 33.

COMPETITORS

Few comparable competitors. Competition in the various markets largely comprises smaller companies that are regional specialists in one or more niche markets in various market segments or product categories. Read more on page 20.

Circular business and production

A clear and closely related challenge is improving a circular approach in processes and products. This includes the gradual replacement of input raw materials with recycled materials and of petroleum-based materials with materials from renewable sources. Refer also to page 36.



GENERAL INDUSTRY



TRANSPORTATION EQUIPMENT



INFRASTRUCTURE CONSTRUCTION



AGRICULTURE



AEROSPACE



OIL & GAS



LIGHT VEHICLES

VALUES FOR STAKEHOLDERS

CUSTOMERS:

- » Innovative solutions that seal, damp and protect
- » Better functionality, business and sustainability
- » Customer satisfaction via Trelleborg's core capabilities

SUPPLIERS:

- » Payment for material and services
- » Evaluation according to Trelleborg's stringent requirements

EMPLOYEES:

- » Salaries and benefits
- » Health and safety
- » Job satisfaction
- » Personal development

SHAREHOLDERS:

- » Share price trend
- » Dividend

SOCIETY:

- » Job opportunities
- » Tax revenue
- » Trelleborg's social engagement

CREDITORS:

- » Interest income

CREATED AND DISTRIBUTED ECONOMIC VALUE

In total in 2019, Trelleborg's operations generated economic value totaling SEK 36,670 M (34,601) of which SEK 33,035 M (31,148) was distributed among stakeholders as shown in the description below and the diagram:

Suppliers: Material and services
SEK 19,494 M (18,664)

59.0%

Employees: Salaries and remuneration including payroll overheads
SEK 11,031 M (10,003)

33.4%

Shareholders: Dividend 2019
SEK 1,288 M (1,220)

3.9%

Society: Tax paid
SEK 763 M (919)

2.3%

Creditors: Interest expenses
SEK 459 M (342)

1.4%

FROM SPACE TO SEABED

From 2020, Trelleborg has three business areas:

- » **Trelleborg Industrial Solutions**, focusing on selected polymer-based industrial applications and infrastructure projects
- » **Trelleborg Sealing Solutions**, focusing on polymer-based sealing solutions
- » **Trelleborg Wheel Systems**, focusing on off-highway and specialty tires

New organization from 2020. In December 2019, Trelleborg announced a strengthened focus on selected segments in order to continue to develop and strengthen already well-performing and well-positioned business areas with sizeable global businesses. In parallel, areas that needed to improve their positioning and profitability were highlighted through the creation of a reporting segment, Businesses Under Development (see pages 28–29).

Trelleborg Coated Systems and Trelleborg Offshore & Construction ceased to operate as business areas. The engineered coated fabrics operation of Trelleborg Coated Systems and the operations of marine solutions and infrastructure projects of Trelleborg Offshore & Construction were transferred to Trelleborg Industrial Solutions. The other parts were moved to Businesses Under Development. A few activities were, in turn, transferred from Trelleborg Industrial Solutions to Businesses Under Development. Trelleborg Sealing Solutions was not affected by the organizational changes. Trelleborg Wheel Systems was only marginally affected by the changes.

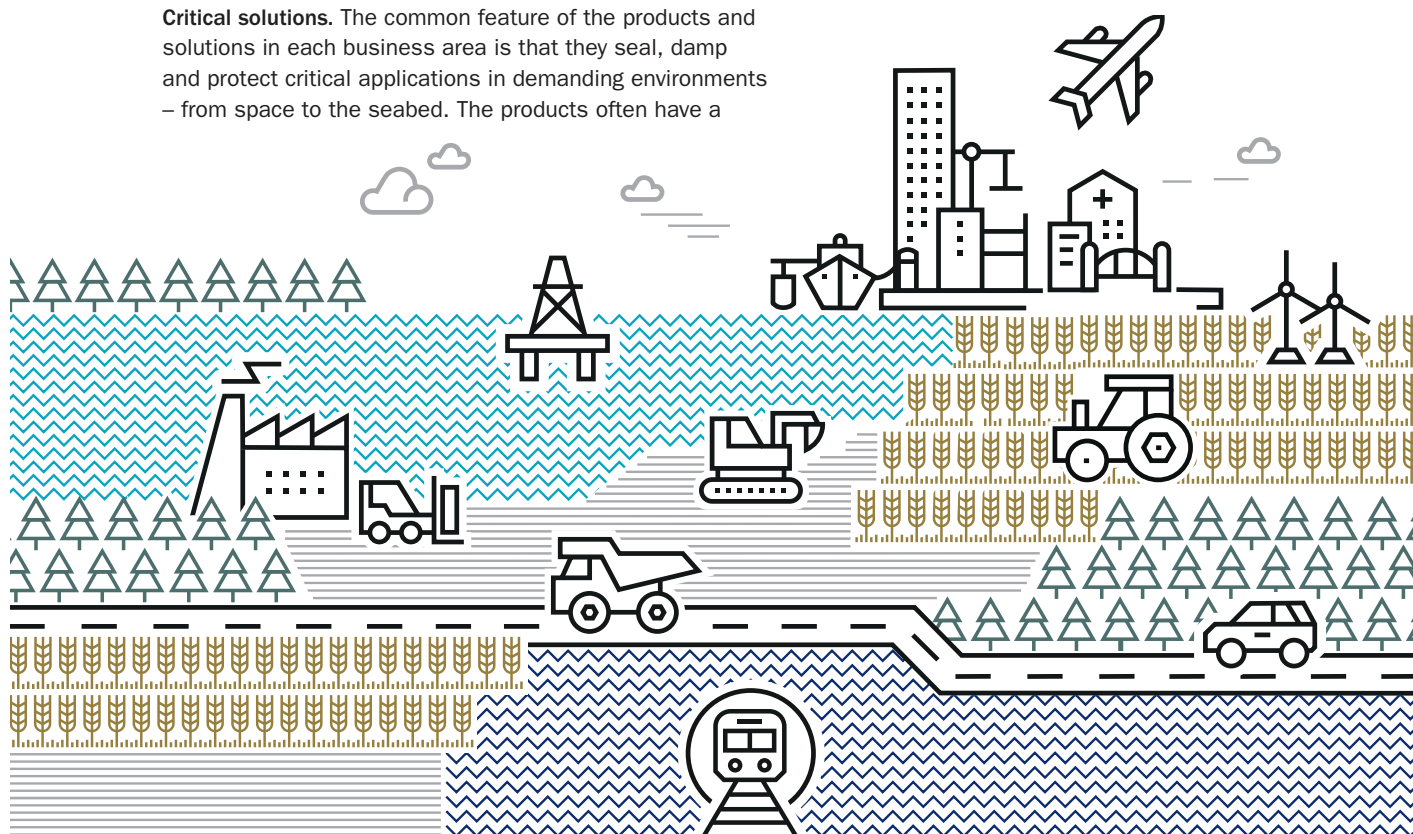
Critical solutions. The common feature of the products and solutions in each business area is that they seal, damp and protect critical applications in demanding environments – from space to the seabed. The products often have a

critical function in the customer's solution, while representing a minor portion of the total manufacturing cost. The tendency to replace the product in favor of a product of inferior quality is thus minimal. Trelleborg's business is also increasingly shifting from supplying only products to delivering a complete solution that also includes different service offerings.

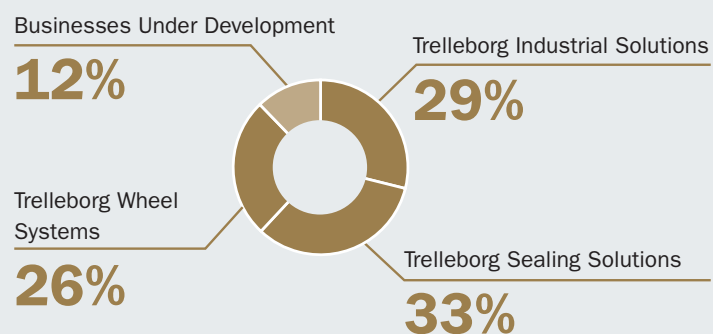
Research and development. The majority of Trelleborg's innovation work consists of applied development that takes place in close collaboration with customers. Projects are also conducted focusing on fundamental physical and chemical material sciences in respect of polymers and other materials, as well as in relation to various applications and the actual design of products and solutions.

The pace of development is high and new products and solutions are being introduced on a continuous basis that increase value and make life easier for customers and also contribute to sustainable development.

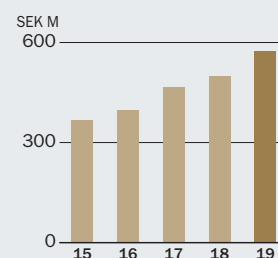
Few comparable competitors. Competition in the various markets largely comprises a very significant number of smaller companies that are regional specialists in one or more niche markets in various market segments or product categories. Trelleborg's broad-based operation means that the Group has no single matching competitor. There are, however, global players that compete in certain segments and niches. Such major competitors include Bridgestone, Continental, Freudenberg, as well as Hutchinson, NOK, Parker Hannifin and Sumitomo Riko.



SHARE OF CONSOLIDATED NET SALES



RESEARCH AND DEVELOPMENT ¹



¹ Expensed, excluding amortization.

In 2019, Trelleborg's research and development expenditure amounted to SEK 574 M (499), corresponding to about 1.6 percent (1.5) of sales.

MARKET SEGMENT

Segment	Trelleborg Industrial Solutions	Trelleborg Sealing Solutions	Trelleborg Wheel Systems	Core businesses total	Businesses Under Development	Group total
General industry	50%	45%		33%	55%	36%
Capital-intensive industry						
Transportation equipment	13%	10%	41%	21%	8%	19%
Infrastructure construction	22%			7%	1%	6%
Agriculture		4%	59%	19%		17%
Aerospace	6%	17%		8%		7%
Oil & gas	3%	2%		2%	24%	4%
Light vehicles	6%	22%		10%	12%	11%
	100%	100%	100%	100%	100%	100%

In Trelleborg's new organization, which took effect in 2020, the Group's core businesses comprise three business areas compared with five previously, as well as a reporting segment, Businesses Under Development.

Trelleborg serves a broad range of customers in a variety of market segments and niches. The Group is diversified and is dispersed over a wide geographic area, which provides an effective underlying risk spread.

BUSINESS AREA

TRELLEBORG INDUSTRIAL SOLUTIONS

Trelleborg Industrial Solutions is a leading supplier of polymer-based critical solutions in selected industrial application areas and infrastructure projects.



Our innovative solutions deliver savings in energy and maintenance for the rail industry.”

Jean-Paul Mindermann,
Business Area President

Trelleborg Industrial Solutions is a leading supplier in selected industrial application areas, as well as offerings to infrastructure projects. Common to all are the high levels of expertise and in-depth specialist knowledge that Trelleborg contributes to, mostly niche applications. Close cooperation with customers is a critical factor in the development of each innovation.

An organizational change (refer to page 20) was carried out at the end of 2019, and the business area both broadened and focused its portfolio. Favorable conditions

now exist for the business area to accelerate as well as intensify the rate of change, to achieve improved global positions.

In parallel, innovation and sales activities are progressing as before. During the year, in the infrastructure construction segment, demand for smart port solutions resulted in contracts with several ports to provide vacuum mooring technology that enables faster and safer berthing. Substantial orders were also received for seals for immersed tunnels, an application where Trelleborg is a global leading supplier. In the transportation equipment segment, a new axle guiding bushing for railroad cars was launched in Europe and Asia. This innovation reduces wear on both wheels and tracks leading to lower maintenance costs for rail operators. For the aerospace industry, the business area developed a new lightweight specialty engineered

coated fabric for aircraft evacuation slides, which reduces aircraft weight and thereby fuel consumption.

One company specializing in safety-critical solutions for flow control was acquired during the year, strengthening Trelleborg as a system provider, primarily to the fast-growing liquid natural gas (LNG) transfer market segment.

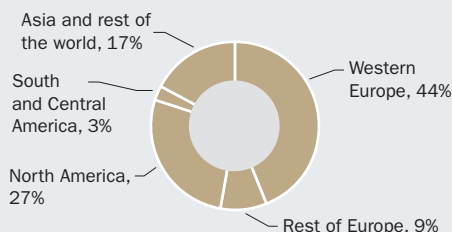
While the largest shares of the business area's operations and its sales are in Europe and North America, Asia continues to grow in importance. Recent developments include a joint venture formed in Malaysia to manufacture and sell composite industrial hoses, as well as an expanded production site opened in India for antivibration solutions, primarily for the rail industry. These reflect the overall Trelleborg ambition of local presence with global reach.

Sales and earnings 2019. Organic sales rose 4 percent compared with 2018. Sales were unchanged in Europe and North America, while significant growth was noted in Asia. Most market segments reported positive organic sales. Deliveries of marine and port solutions stood out because of their strong trend in the second half of the year.

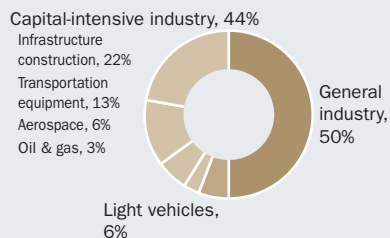
EBIT and the EBIT margin increased compared with the preceding year, mainly as a result of higher sales, acquisitions finalized earlier and completed restructuring work. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 32 M on EBIT compared with 2018.



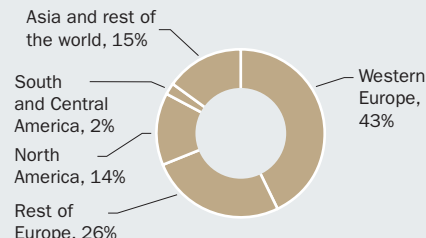
NET SALES PER GEOGRAPHIC MARKET, %



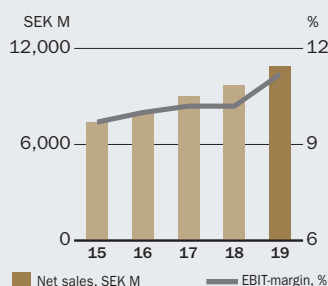
NET SALES PER MARKET SEGMENT, %



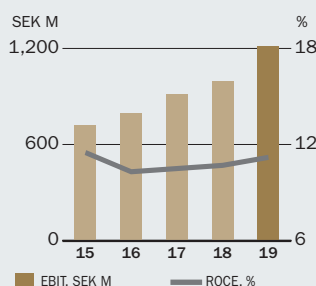
EMPLOYEES PER GEOGRAPHIC MARKET, %



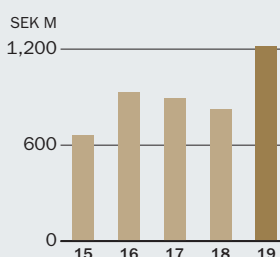
NET SALES AND EBIT-MARGIN



EBIT AND ROCE



OPERATING CASH FLOW



**BUSINESS AREA
LONG-TERM TARGET
FOR EBIT MARGIN
>12%**

Key figures, excluding items affecting comparability, SEK M

	2019	2018
Net sales	10,885	9,716
Share of consolidated net sales, %	29	28
EBIT	1,215	994
EBIT margin, %	11.2	10.2
Capital employed	11,113	9,442
Return on capital employed (ROCE), %	11.2	10.7
Capital expenditures	438	525
Operating cash flow	1,219	822
Operating cash flow/operating profit, %	100	83
Number of employees at year-end, including insourced staff and temporary employees	5,861	5,980

MARKET SEGMENTS

Coated fabrics and calendared materials for industrial applications as well as health-care & medical accessories. Hoses, expansion joints and couplings. Antivibration solutions. Sealing profiles.

Vibration-damping and axle guiding bush for rail vehicles. Coated fabrics for train bellows.

Pipe seals and repair of drinking water and wastewater systems. Sealing and vibration-damping solutions for construction and civil engineering projects. Marine structures and smart technologies for vessels in ports and offshore.

Coated fabrics used in aircraft evacuation slides, aerostats and thermal insulation for space rockets.

Marine hoses, breakaway couplings and liquid natural gas (LNG) transfer systems.

Polymer boots for drive shafts and steering applications. Calendared materials for brake shims.

PRODUCTION UNITS: Australia, Brazil, China, the Czech Republic, Denmark, Finland, France, Germany, India, Lithuania, Mexico, the Netherlands, Poland, Spain, Sweden, Turkey, the UK and the US.

EXAMPLES OF BRANDS/PRODUCT NAMES:

ANDRE, AutoMoor, CRYOLINE®, DragonCoat®, KLELINE®, Metalastik®, Novibra®, Power-Lock™, Rubena, Sava, SCN Super Cone, SeaGuard, SEALINE®, SeaTechnik™, Sewer-Lock™, SmartDock®, SmartPort, TRELLINE® and TRELLVAC.

KEY CUSTOMERS: Companies active in general industry, transportation equipment, infrastructure and construction, aerospace, oil & gas and automotive.

PRINCIPAL COMPETITORS: Continental, Freudenberg, GMT, Hamilton Kent, Hultec, Hutchinson, IVG, Lord, M.O.L., Mampaey, Parker Hannifin, Pennel & Flipo, Sanok Rubber, Semperit, ShibataFenderTeam, Tremco, Tyman and Yokohama.

BUSINESS AREA

TRELLEBORG SEALING SOLUTIONS

Trelleborg Sealing Solutions is a leading global supplier of polymer-based critical sealing solutions and components deployed in general industry, automotive and aerospace.



We supply seals that reduce range anxiety for people driving electric vehicles.”

Peter Hahn,
Business Area President

Trelleborg Sealing Solutions is a leading global supplier of critical sealing solutions and components. Developing the optimum solution for its customers' challenges forms the basis for how the business area acts; from concept to delivery. Cooperation with and understanding customers' businesses and their markets are important

parameters, as is being a partner who it is easy to do business with.

The business area holds leading positions in its segments. Though often only representing a minor portion of total manufacturing cost, its products invariably have a critical function in the

customer's solution. In addition to meeting a customer needs, for example, for hydraulic seals, a range of service innovations are available aimed at simplifying customers' work flows throughout their supply chain.

The business area is increasing its presence in healthcare & medical, which is seeing strong demand in, for example, surgery, cardiology and drug delivery. An acquisition during the year broadened the capabilities to include advanced automation, two component production and products for orthopedics, among other areas. This together with acquisitions completed earlier, creates a competitive platform and critical mass for global organic initiatives in the segment moving forward.

The pace of development is high and new products and solutions are being introduced on a continuous basis for key growing applications, such as electric vehicles. New seals specially designed for these were launched during the year and prestigious

contracts were secured for applied damping materials for inverters in electric and hybrid vehicles. Focus is also on the increased electrification of machinery and tools.

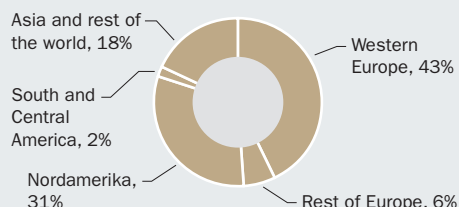
Within the business area there is a high rate of investment. An expanded manufacturing facility for liquid silicon rubber products for industrial and automotive applications was inaugurated in Bulgaria. In parallel, the business area maintained its position at the forefront of additive manufacturing technology for polymer materials and continued to invest during the year in this area. A Swiss company that develops and manufactures specialized tools for complex two component products was acquired at the end of the year, in addition to a US company specializing in rotary seals.

Sales and earnings 2019. Organic sales were unchanged compared with 2018. Sales to Europe and Asia were negative for the year, but this was fully offset by healthy deliveries to North America. The strongest organic sales growth was noted in deliveries to the aerospace industry, while sales to general industry and the automotive industry declined. The area of healthcare & medical grew during the year and accounted for approximately 10 percent of the business area's sales.

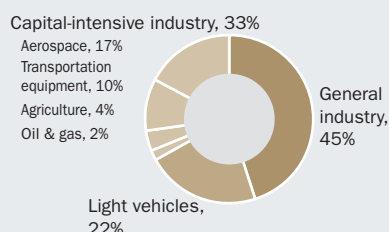
EBIT rose primarily as a result of acquisitions and effective cost control. The EBIT margin was maintained at a high level throughout the year, but declined somewhat compared with the preceding year, partly due to implemented acquisitions with lower margins. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 117 M on EBIT compared with 2018.



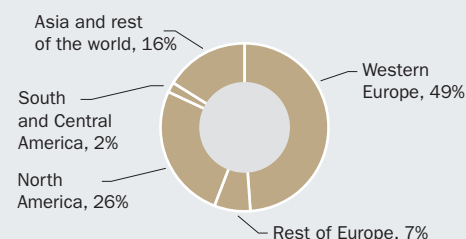
NET SALES PER GEOGRAPHIC MARKET, %



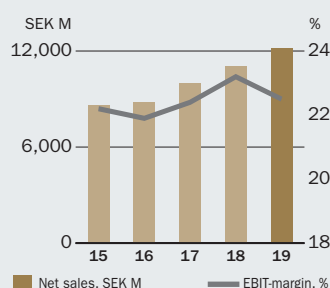
NET SALES PER MARKET SEGMENT, %



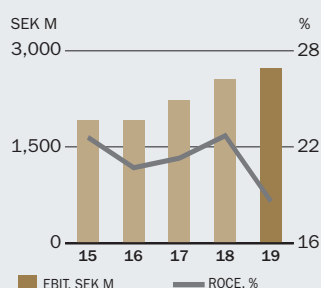
EMPLOYEES PER GEOGRAPHIC MARKET, %



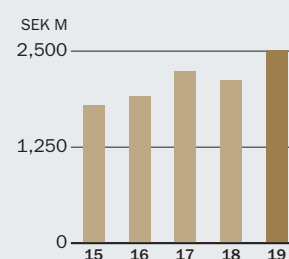
NET SALES AND EBIT-MARGIN



EBIT AND ROCE



OPERATING CASH FLOW



**BUSINESS AREA
LONG-TERM TARGET
FOR EBIT MARGIN
>22%**

Key figures, excluding items affecting comparability, SEK M	2019	2018
Net sales	12,141	11,049
Share of consolidated net sales, %	33	32
EBIT	2,729	2,559
EBIT margin, %	22.5	23.2
Capital employed	15,188	11,483
Return on capital employed (ROCE), %	18.6	22.7
Capital expenditures	575	510
Operating cash flow	2,516	2,120
Operating cash flow/operating profit, %	92	83
Number of employees at year-end, including insourced staff and temporary employees	7,332	6,799

MARKET SEGMENTS

Precision seals for industrial applications with a focus on O-Rings, rotary seals and hydraulic seals. Components for healthcare & medical.

Specially engineered sealing solutions in, for example, trains.

Sealing configurations for hydraulic equipment in, for example, tractors.

Safety-critical seals used in all parts of an aircraft as well as aerodynamic seals.

Specialty seals in various oil and gas installations.

Advanced sealing solutions in all parts of a vehicle as well as composite technology designed for damping and sealing.

PRODUCTION UNITS: Brazil, Bulgaria, China, Denmark, France, India, Italy, Malta, Mexico, Poland, Switzerland, the UK, Sweden and the US.

EXAMPLES OF BRANDS/

PRODUCT NAMES: American Variseal®, Busak+Shamban, Forsheda®, GNL, Nordex, Orkot®, Palmer Chenard, Polypac®, Rubore®, SF Medical, Shamban®, Silcotech, Skega®, Stefa® and Wills Rings®.

KEY CUSTOMERS: Global companies active primarily in general industry, including the healthcare & medical industry, and suppliers to aircraft and light vehicle manufacturers.

PRINCIPAL COMPETITORS: Federal Mogul, Fenner, Freudenberg, Greene Tweed, Hutchinson, Kirkhill-TA, Meggitt, NOK, Parker Hannifin, Saint Gobain, SKF and Wolverine.

BUSINESS AREA

TRELLEBORG WHEEL SYSTEMS

Trelleborg Wheel Systems is a leading global supplier of tires and complete wheels for off-highway vehicles and specialty applications.



Our tires take productivity and efficiency into consideration, but also environmental aspects.”

Paolo Pompei,

Business Area President

Trelleborg Wheel Systems is a leading global supplier of tires for off-highway vehicles such as agricultural machines and material handling, with a growing presence in selected niches in construction and two-wheeled motor vehicles. The business area has close co-engineering and co-marketing programs with

major tractor manufacturers, which frequently result in new innovative products and solutions. The manufacturing footprint is global.

Ongoing trade conflicts contributed to greater market uncertainty and thus lower

order intake. The business area therefore implemented a workforce cutback, stock adjustments and the relocation of production to adapt to the lower demand scenario. Investments were carried out in parallel to optimize capacity utilization. For example, expanded facilities in Serbia and the Czech Republic enabled a broader range of, among other things, agricultural tires and increased capacity of tires for construction vehicles.

Two minor distributors of industrial tires were acquired during the year in Canada and the US, in addition to a distributor of agricultural tires in Italy. The acquisitions strengthen the business area's Interfit concept with its tire services in the aftermarket and enable closer collaboration with end-customers.

The tires being developed today are becoming increasingly intelligent. For example, in agricultural machinery a Central Tire Inflation System (CTIS+) was launched that enables tire pressure to be adjusted to load and ground conditions. The system boosts tractor

efficiency, sustainability and operational reliability, while increasing the driver experience.

Another example of tire development is the PneuTrac hybrid tire, which combines the advantages of a radial agricultural tire in terms of fuel efficiency, comfort and handling, with the wide footprint and traction benefits of a track. During the year, the tire was chosen as the standard tire for certain tractor models by one major tractor manufacturer.

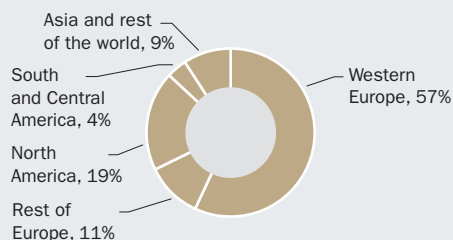
Sustainability in production processes is a crucial matter for the business area. For example, during the year an advanced biomass boiler was installed in its manufacturing facility in Sri Lanka that reduced the facility's CO₂ emissions by more than 90 percent. In turn, the biofuel is sourced from local producers and mainly comprises wood chips from natural rubber trees.

Sales and earnings 2019. Organic sales declined 4 percent compared with 2018. The organic sales trends for tires for agricultural machinery, material handling vehicles and construction machinery were all negative, driven by a weak second half of the year. The intensifying trade conflicts during the year had a negative impact on the business climate and contributed to increased uncertainty and lower order intake.

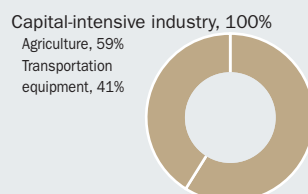
EBIT and the EBIT margin declined sharply, mainly due to reduced delivery volumes caused by difficult market conditions, which accelerated during the year, but also due to inventory adjustments made in the second half of the year. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 18 M on EBIT compared with 2018.



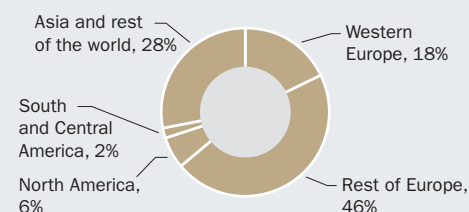
NET SALES PER GEOGRAPHIC MARKET, %



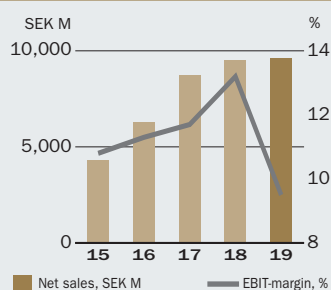
NET SALES PER MARKET SEGMENT, %



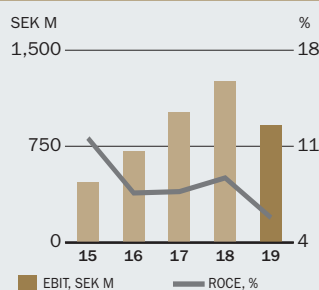
EMPLOYEES PER GEOGRAPHIC MARKET, %



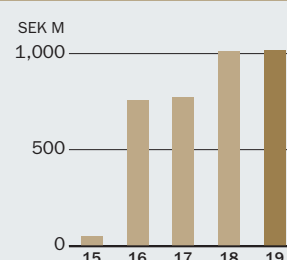
NET SALES AND EBIT-MARGIN



EBIT AND ROCE




OPERATING CASH FLOW




**BUSINESS AREA
LONG-TERM TARGET
FOR EBIT MARGIN
>15%**

Key figures, excluding items affecting comparability, SEK M	2019	2018
Net sales	9,628	9,492
Share of consolidated net sales, %	26	28
EBIT	913	1,255
EBIT margin, %	9.5	13.2
Capital employed	15,318	14,474
Return on capital employed (ROCE), %	5.8	8.7
Capital expenditures	483	491
Operating cash flow	1,029	999
Operating cash flow/operating profit, %	113	80
Number of employees at year-end, including insourced staff and temporary employees	6,546	6,860

MARKET SEGMENTS

 Tires and complete wheels for material handling vehicles, including forklifts and other highly utilized and high-load vehicles, such as construction vehicles. High-performance tires for motorcycles.

 Tires and complete wheels for tractors and other vehicles used in agriculture and forestry.

PRODUCTION UNITS: Brazil, China, the Czech Republic, Italy, Latvia, Serbia, Slovenia, Sri Lanka and the US.

BRANDS: Cultor, Interfit, Maximo, Mitas and Trelleborg.

KEY CUSTOMERS: Manufacturers, distributors and dealers of agricultural and forestry machinery, and end-customers. Manufacturers and distributors of forklifts, distributors and dealers of tires and tire service companies for material handling vehicles and construction vehicles. Suppliers of motorbikes.

PRINCIPAL COMPETITORS: BKT, Continental, Bridgestone/Firestone, Goodyear/Titan, Michelin/Camsol, Nokian, Vredestein and Yokohama/Alliance.

BUSINESSES UNDER DEVELOPMENT

In December 2019, Trelleborg announced a strengthened focus on selected segments (see page 20). As a consequence, a reporting segment was formed, Businesses Under Development, whose operating activities will be subjected to a strategic review with the aim of improving its positions and its profitability within 12 to 24 months. Various structural alternatives will be evaluated as these improvement efforts progress.

The operations may partially or entirely return to the Group's business area structure. They may also be divested, reorganized into a joint venture or become a minority holding for the Group.

Each operation reports to Trelleborg's CFO, who has overall responsibility for the reporting segment.

Sales and earnings 2019. Organic sales increased 1 percent compared with 2018. Offshore oil & gas had a very positive sales increase in the second half of the year and this fully explains the organic improvement. Other businesses under development, that is, printing blankets and specialty molded components, noted a negative sales trend, which accelerated during the second half of the year.

EBIT and the EBIT margin were largely unchanged compared with the preceding year. The profitability of offshore oil & gas changed from loss to profit in pace with the volume recovery during the year and ended with a clearly positive result in the fourth quarter. Exchange rate fluctuations from the translation of foreign subsidiaries had a positive impact of SEK 2 M on EBIT compared with 2018.

Non-cash impairment of capital employed of SEK 3,198 M was conducted during the year. These were included in the reporting segment and recognized under items affecting comparability at Group level. The impairment of capital employed is the result of the assets' estimated future discounted earnings trend, and should also be viewed in the context of the projected market value.

Key figures, excluding items affecting comparability, SEK M	2019	2018
Net sales	4,283	4,100
Share of consolidated net sales, %	12	12
EBIT	30	29
EBIT margin, %	0.7	0.7
Capital employed	3,057	5,792
Return on capital employed (ROCE), %	0.5	0.5
Capital expenditures	275	392
Operating cash flow	-132	-147
Number of employees at year-end, including insourced staff and temporary employees	3,921	4,135

TRELLEBORG PRINTING SOLUTIONS

Trelleborg Printing Solutions develops and manufactures printing blankets of polymer-coated fabrics. Printing blankets are used for all types of offset printing, as well as flexo and digital printing. The business also includes a carrier sleeve product line for packaging flexo printing.

The printing blankets have a high technological content and play a critical role in the overall solution, while at the same time representing a relatively small share of total costs for customers. The operation has a global production capacity and a major local presence. Sales and customer support are carried out both directly and via distributors. It has always been profitable, albeit at relatively low levels, and generated good cash flow.

Trelleborg Printing Solutions was part of the former Trelleborg Coated Systems business area.

TRELLEBORG MOULDED COMPONENTS

Trelleborg Moulded Components develops and manufactures various types of molded products, such as rubber rollers and rollers in thermoplastic elastomer (TPE) used in, for example, professional printers and packaging machines.

Most of the products are engineered using materials that have unique compositions, based on each purpose. For example, they are designed to be precise, hard-wearing and to tolerate large temperature variations. The operation has always been profitable, albeit at relatively low levels. Sales are mainly conducted to local and regional customers.

Trelleborg Moulded Components was part of the Trelleborg Industrial Solutions business area.

TRELLEBORG OFFSHORE

Trelleborg Offshore develops and manufactures polymer-based solutions for exploration and extraction of offshore oil and gas. Products include buoyancy modules, thermal insulation, bend restriction, cable and flowline protection and fire protection. The operation also manufactures engineered applied technology solutions in polyurethane for a range of niche applications.

The business is a dedicated project-based operation and like all active in the offshore oil & gas industry, it has been impacted by the challenging market situation in recent years. However, since the second half of 2019 the operation has reported a positive sales trend, albeit from low levels.

Trelleborg Offshore was part of the former Trelleborg Offshore & Construction business area.

RUBENA

Rubena develops and manufactures a broad range of engineered polymer products, such as V-belts to general industry, inflatable rubber dams for infrastructure, vibration-damping and acoustic solutions as well as various rubber components to the automotive industry. The business also includes a rubber compound operation. A wide range of bicycle tires and tubes are developed and manufactured under the Mitas brand, from road tires to tires for BMX bicycles.

The operation was acquired in conjunction with the acquisition of the Czech industrial group CGS in 2016, where Rubena was one of three companies in the group. Despite investments in both production and personnel, the business has not developed in line with Trelleborg's expectations. Sales are mainly conducted to local and regional customers.

Rubena was part of the Trelleborg Industrial Solutions business area. Bicycle tire activities were, however, reported as part of the Trelleborg Wheel Systems business area.

STRATEGY, MARKET & RISK

Solutions that protect what matters in society

Trelleborg's strategy for leading positions in selected segments and innovative capacity for better sustainability provides a stable business overall.





100% ELDRIVEN OCH AUTONOM

The seal requirements in electric motors are different from those for a transmission input on a combustion engine vehicle. A major technology in electric vehicles is the e-axis, a combined electric motor and gearbox that fits within the traditional engine space. The motor and gearbox are directly coupled but while the gearbox requires efficient lubrication, it is essential that the motor remains dry, so a highly reliable seal is required between these two components.

GLOBAL TRENDS THAT INFLUENCE TRELLEBORG

Trelleborg operates in market segments where the Group has the best conditions for achieving favorable profitability and leading positions.

Trelleborg is active in seven selected market segments that are a mix of general industry, capital-intensive industry and the automotive industry. Trelleborg focuses on maintaining an exposure to its market segments that has a good balance between early and late cyclical industry, meaning general as well as capital-intensive industry, the demands from which often balance each other out. In this way, the Group's risks are spread during adverse cyclical fluctuations in individual segments.

Global trends influence the Group and Trelleborg continuously monitors and evaluates these to adopt the right position and capitalize on opportunities in various segments and niches. At an overall level, demand exists for advanced, engineered and integrated solutions, in line with Trelleborg's offering. The current development also benefits organizations such as Trelleborg that encourage rapid decisions with a clearly decentralized role and allocation of responsibilities.

In the segments, Trelleborg is positioning itself in additional niches or product categories with the aim, in each individual case, of being among the three top players in terms of market share.

Trelleborg is constantly searching for niches where the Group's accumulated knowledge offers market leadership. In addition to global trends, several factors determine the choice of niche or product category in a mature or growing market: stage of the value chain, customer categories, global and local conditions and so forth.

GLOBAL TRENDS



Geo-economic and political changes: The growth that is taking place and is expected to continue in Asia demonstrates shifts in power eastwards at the same time as traditional power structures in the West are changing. Global economic growth could slow because of the political and social changes facing several influential countries and geographical areas.



Accelerated technological development: New technological solutions that are simpler and often more cost-efficient than existing ones, known as disruptive technologies, are being developed rapidly. Resources are being used to find values in big data, which is often used as a basis for increased digitalization of goods and services.



Interconnected markets and urbanization: Urbanization entails, for example, growing demands for efficient cities and also a sustainable countryside that can produce more for more people. At the same time, globalization is moving markets and people closer together resulting in rising global trade, increased transportation and flows of capital.



Resource efficiency for sustainability: Global population growth and economic growth in certain geographies is making demands on a more efficient and sustainable society. Negative climate change and scarce natural resources are major challenges for all stakeholders to solve. Local environmental regulations are starting to be implemented to promote sustainable energy and lower emissions.

TRENDS IN TRELLEBORG'S MARKET SEGMENTS ¹

GENERAL INDUSTRY, 36%

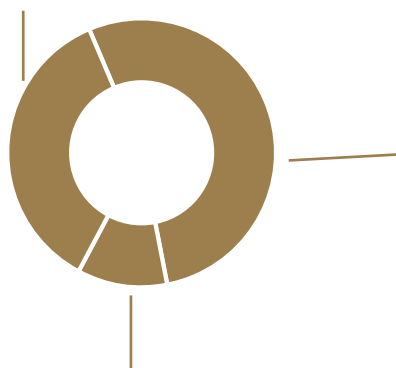
General industry

Product niches focusing on value creation throughout the supply chain benefit from globalization, and interconnected markets are driving demand for global business models and partnerships.


36%

OF TRELLEBORG'S SALES

Examples of products: Antivibration systems, polymer-coated fabrics, hoses, expansion joints, seals and bearings as well as components for the healthcare & medical industry.



LIGHT VEHICLES, 11%

Light vehicles

Continued globalization and growth together with greater demand for electric and hybrid cars and government incentives will lead to flexible global business models, consolidation or specialization as a supplier.


11%

OF TRELLEBORG'S SALES

Examples of products: Seals for fuel systems and exhaust systems. Composite technology designed for damping and sealing. Polymer boots for drive shafts. Brake shims.

CAPITAL-INTENSIVE INDUSTRY, 53%

Transportation equipment

Rising demand and requirements for efficient, safe and sustainable transport systems, partly driven by increasing e-commerce, is creating new service offerings and products with a high technological content.


19%

OF TRELLEBORG'S SALES

Examples of products: Antivibration and sealing solutions as well as bearings and coated fabrics for rail vehicles. Tires and complete wheels for various types of material handling vehicles and construction vehicles.

Agriculture

There is a demand to increase crop yields per cultivated area and for more sustainable agriculture to meet both the population and environmental challenges. The solution is greater industrialization, and in some places a faster transition to mechanical solutions.


17%

OF TRELLEBORG'S SALES

Examples of products: Applications for agricultural machinery, such as tires and complete wheels, seals, hoses and antivibration systems.

Infrastructure construction

Urbanization, population growth and economic growth in emerging countries are making demands on more efficient and sustainable infrastructure solutions such as bridges, tunnels and port solutions.


6%

OF TRELLEBORG'S SALES

Examples of products: Pipe seals, solutions for ports, marine equipment and marine technology, as well as seals and bearings used in construction and civil engineering projects.

Aerospace

Aircraft upgrades and fleet expansion as traffic increases, not least in emerging countries, as well as technology to reduce running costs leads to lighter aircraft with a greater technological content.


7%

OF TRELLEBORG'S SALES

Examples of products: Coated fabrics used in evacuation slides, aerostats and thermal insulation for space rockets. Seals used in such application areas as engines, flight control actuators, landing gear, wheels and brakes as well as aerodynamic seals.

Oil & gas

Continued major energy requirements will lead to investments in more complex exploration of deep-water environments, which requires more advanced solutions and investments in LNG transportation and renewable energy production.


4%

OF TRELLEBORG'S SALES

Examples of products: Specialty seals, buoyancy modules, floatover technology, marine hoses and breakaway couplings. Solutions for renewable energy and power generation.

¹ Share of the Trelleborg Group's total sales in 2019.

TRELLEBORG'S STRATEGY FOR LEADING POSITIONS

Trelleborg's strategy of securing leading positions in selected segments is supported by four strategic cornerstones. These ensure that all levels within the Group maintain focus and conduct activities that are in line with the strategy. These are the cornerstones that Trelleborg works with Group-wide and in the business areas to optimize its respective operations and, thereby, capture market leadership. The cornerstones support the strategy individually and in combination.



GEOGRAPHICAL BALANCE

Enhanced geographical balance. China is on the way to becoming the largest global economy, and Africa is eventually expected to follow Asia as a high-growth region. In recent years, Trelleborg has prioritized strengthening its market presence in selected markets outside Western Europe and North America.

The principal drivers include proximity to customers in expanding and profitable segments, following them in their globalization processes and developing local customer relationships, which may become global. Trelleborg's long-term ambition is to achieve a geographical balance, where Western Europe and the Rest of the World each account for an expected 40 percent of the Group's sales, while the remaining share is expected to continue being generated in North America.

However, the European and North American markets remain important for Trelleborg. The Group both acquires and invests in these geographical areas when this strengthens the Group overall.

PORTFOLIO OPTIMIZATION

Improved business portfolio. The Group is pursuing focused systematic activities involving a number of growth initiatives on several levels and in different areas.

The business portfolio is being continuously reviewed to assess how the Group can continue to improve its positions in selected niches. The rate of investment is, therefore, high as is the pace of development for new products and solutions. Initiatives can be launched in several dimensions. They may, for example, concern the expansion into new closely-related segments, technologies or applications, or to new geographical areas.

Furthermore, Trelleborg acquires businesses in attractive niches where opportunities exist to achieve competitive advantages and a leading position. Operations may be divested and these are primarily activities that are, for various reasons, no longer seen as belonging to the core business or lack the necessary development potential.

GROWTH INITIATIVES IN SEVERAL DIMENSIONS

Trelleborg is driven by an interaction between organic and acquired growth. The strategic cornerstones offer support both individually and in combination to achieving Trelleborg's strategy to secure leading positions.

Initiatives take place in several dimensions: expansion into new geographies, investments in production capacity, development of new technologies and so forth.



NEW GEOGRAPHIES

In 2019, Trelleborg formed a joint venture in Malaysia to manufacture and sell industrial hoses in composite materials. The initiative means Trelleborg can expand its production capacity, reach new markets more quickly and strengthen its total product offering.



INCREASED CAPACITY

During the year, Trelleborg opened an expanded production site in Bulgaria. The investment will increase production capacity for liquid silicon rubber products for industrial and automotive applications.



NEW TECHNOLOGY

During the year, a Central Tire Inflation System (CTIS+) for agricultural machinery was launched that enables tire pressure to be adjusted depending on load and ground conditions. The system, which is fully integrated into the rim, boosts tractor efficiency, sustainability and operational reliability, at the same time as improving the driver experience.



ACQUISITIONS 2019

	Sales (2018), SEK M	Employees
Industrial Tire Solutions (industrial tire distributor)	10	6
Tritec Seal (rotary seal manufacturer)	300	151
Max Meier AG, Werkzeugbau (specialist toolmaker)	12	8
Deep Spring Technology (development company)	29	16
Signum Technology Ltd (solutions for flow control)	410	156
Provana Solutions srl (agricultural tire distributor)	58	6
Pneus ICM Inc. (industrial tire distributor)	23	8
Sil-Pro, LLC (silicone component manufacturer)	350	339
Total	1,192	690

No divestments took place during 2019.

STRUCTURAL IMPROVEMENTS

Adapted structures. The globalization of Trelleborg's business involves being in the right location with the right operations. The focus is on developing operations and localizing them to areas where Trelleborg can grow and recruit the right talent and do the best job. In certain cases, this means that Trelleborg relocates an operation to another geographical market; in other cases, it means upgrading and developing the operation where it is.

However, it is also about developing offerings that make life easier and increase value for customers, and developing and working within new business models. Trelleborg therefore invests in new technology and machinery, human capital, international management, local managers and development of local markets, all with the aim of improving and improving its structure.

EXCELLENCE

Excellence in core processes. Trelleborg conducts systematic internal work to further improve key processes, such as purchasing, manufacturing and sales, as well as issues concerning supply chain and people excellence.

Manufacturing Excellence is the oldest of these initiatives and has been running for more than ten years. The purpose of Manufacturing Excellence is to work systematically to improve production in relation to safety, quality, delivery precision and efficiency. The focus is on minimizing non-value-generating activities and identifying and correcting deviations through daily efficient control. The vision is Zero accidents, Zero defects, Zero delays and Zero waste. Health & safety and resource efficiency are integrated parts of Manufacturing Excellence. Refer to pages 38–41 and 132–133.

INNOVATIONS THAT PROTECT WHAT MATTERS

Trelleborg's solutions contribute to sustainable development at the same time as digitalization facilitates the use of new technology that increases efficiency and value creation for customers.

New technology enables new ways to generate value for and interact with customers. Trelleborg offers various services supported by digital tools to make life easier and increase value for its customers. This involves smart products with built-in sensors and tracking systems, but also making it easier to do business with Trelleborg via online design programs and other digital channels, such as web-based and mobile applications. As a result, Trelleborg's business is increasingly shifting from solely supplying products to also delivering services and solutions. The Group is also investing in smart technology in its manufacturing and in various smart logistics solutions.

Trelleborg offers, for example, SmartPort, a collective term for Trelleborg's marine systems solutions. These include products and equipment for berthing, docking and mooring but also a technology platform that communicates with and provides valuable data to vessels, pilots and port authorities, in order to make navigation and berthing more efficient and safe.

Trelleborg's solutions also contribute to sustainable development. They improve sustainability for Trelleborg's customers and for society in general.

To seal and damp is to use the unique properties of polymer materials, particularly rubber and plastics, and when correctly composed these materials are suitable for use in critical applications in demanding environments.

To protect means that Trelleborg's solutions effectively protect what matters – people and the environment as well as infrastructure and other assets in society. This means they are designed to withstand the impact of natural forces or manage other strong man-made forces.

Trelleborg's products and solutions offer a range of solutions that satisfy the vital needs of society. This becomes clear in a comparison with the UN Sustainable Development Goals, particularly for:

- » Sustainable environmental and energy solutions
- » People's health and food supply
- » Sustainable cities and infrastructure

The Group's commercial progress is based on these solutions and is therefore also connected to sustainable development. See examples on the following page. The triangle Trelleborg – Customers – Society forms a relationship where all parties reap the benefits achieved from innovative solutions for better sustainability.

Circular business is a consistent ambition to find different ways to close the loop for whole products, parts of products or input materials, with the primary aim of reducing resource consumption or alternatively reusing resources – or as a last resort – to recycle them, in accordance with the Reduce–Reuse–Recycle model.

One example of greater circularity at Trelleborg in recent years is in its production of industrial tires, which successfully raised the use of recycled raw materials in the form of carbon black and rubber powder and also completely different materials, such as recycled textiles or coconut powder. All with the aim of improving circularity.

There are also examples within Trelleborg where the focus is on service offerings. These could be smart systems that optimize stock management for customers who need seals and other components, or smart tire services, which allow the customer to lease industrial tires instead of buying them. Trelleborg also offers trenchless and "no-dig" technology that provides an effective alternative to replacing sewer pipes: the technology seals pipes from the inside.

Classic corporate responsibility naturally forms a basis for Trelleborg's offering: Compliance, Resources, Diversity and Social Responsibility (see pages 38–49). With these focus areas, customers and society can feel secure that Trelleborg delivers solutions that are manufactured in a responsible manner.

UN GOALS THAT ARE RELEVANT FOR TRELLEBORG'S SOLUTIONS

SUSTAINABLE ENVIRONMENTAL AND ENERGY SOLUTIONS



Clean energy

Goal 7 is to ensure that everyone has access to reliable, sustainable and modern energy at an affordable price.



Climate action

Goal 13 is to take immediate action to combat climate change and its effects.

Examples of solutions from Trelleborg:

Grout seals for offshore wind farms, sealing profiles for solar panels, energy-optimized sealing solutions for pneumatics and hydraulics with minimal losses from friction, sealing profiles for windows and doors as well as entire facades.

PEOPLE'S HEALTH AND FOOD SUPPLY



Zero hunger

Goal 2 is to end hunger, achieve food security and improved nutrition and promote sustainable agriculture.



Good health and well-being

Goal 3 is to ensure healthy lives and promote well-being for all at all ages.

Examples of solutions from Trelleborg:

Components for healthcare & medical and to the food sector with a direct effect on people's health and food security, mattress material for healthcare that prevents pressure ulcers, antivibration solutions that reduce noise and vibrations in vehicles and machinery, agricultural tires designed to protect crop yield and save fuel.

SUSTAINABLE CITIES AND INFRASTRUCTURE



Clean water and sanitation

Goal 6 is to ensure availability and sustainable management of water and sanitation for all.



Sustainable industry, innovation and infrastructure

Goal 9 is to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.



Sustainable cities and communities

Goal 11 is to make cities and human settlements inclusive, safe, resilient and sustainable.

Examples of solutions from Trelleborg:

Solutions that offer increased safety and extend the service life of bridges, tunnels, buildings and pipe systems, watertight solutions that protect cities and cultural sites, seals for pipe systems for freshwater and wastewater that remain sealed during earthquakes, railway solutions that prevent abrasion damage to wheels and track profiles and reduce energy losses.

Read more about Trelleborg's work with the UN Sustainable Development Goals, sustainability issues and key figures on pages 38–49 and 126–135.

SAFE AND EFFICIENT USE OF RESOURCES



The *Resources* focus area is clearly linked to the UN goals in categories 7, 8, 12 and 13. Read more about the connection to each goal on page 131.

Health & safety is a prioritized area for all of Trelleborg's employees within the scope of Trelleborg's program for Manufacturing Excellence. Continuous work focused on process efficiency is also carried out within the parameters of the program. This includes all types of resources, such as energy and raw materials, toward the aim of achieving a circular approach. For energy, the proportion of renewable energy is to steadily increase to reduce climate impact.

The most important program to achieve efficient resource management and a safe workplace is Manufacturing Excellence, which also includes the occupational health & safety program Safety@Work.

The Manufacturing Excellence framework takes a systematic approach to improvements for enhanced safety, quality, delivery precision and efficiency that also yields distinct positive effects on resource consumption by focusing on minimizing all resource waste. Refer also to page 35.

-9%

The number of accidents per 100 employees declined 9 percent.

Work environment – health and safety. Trelleborg's Safety@Work program aims to create a shared safety culture and to prevent occupational accidents and injuries at all of the Group's production units. The program includes all staff, both employees and insourced, without exception.

The program is monitored by performing annual internal audits in which the facilities are assessed in relation to best practice in terms of Occupational Health and Safety (OHS) management, machine safety and accident follow-ups with the aim of avoiding a recurrence of the same type of incident.

One fatal accident occurred in 2019. Refer to page 132.

The total outcome for the year for OHS-related indicators is shown in the table on page 132, including the share of sites that have a safety committee. The number of units with certified systems for occupational health and safety management according to OHSAS 18001/ISO 45001 is also reported as of this year.

Raw materials and chemicals. The Group's principal raw materials in Trelleborg's processes are polymers (rubber, composites and plastics), metal components, as well as

additives comprising softening agents (oils) and fillers such as carbon black, and vulcanizing agents (sulfur, peroxides).

The Trelleborg's Group environmental policy – available on www.trelleborg.com since 2019 – stipulates that the precautionary principle shall be observed, and that hazardous substances and materials are, to the greatest extent possible, to be reduced and replaced in products and processes. As a chemical user, Trelleborg is affected by the EU REACH regulation. In addition to the local work with REACH compliance, the Global Chemical Task Force, a corporate-level team, continued to pursue its works related to chemicals during the year. The team assists the business units in their efforts to phase out and replace substances that are currently considered harmful, and monitors such substances that may be of interest in the future. An internal Restricted Materials List has been compiled, and work efforts were again actively pursued in 2019 by the Global Chemical Task Force focusing on such prioritized materials.

Within the scope of ETRMA, the European organization for tire and rubber manufacturers, Trelleborg is represented and participates in work monitoring and undertaking EU legislation in, for example, chemicals.

Energy. A significant portion of the Group's energy consumption – and thus its climate impact – is connected to fossil-fuel combustion for the production of steam (direct energy and emissions) and purchased electricity, steam and district heating (indirect energy and emissions).

Energy Excellence, a long-standing initiative for systematic energy optimization at all units, is an integrated part of the Manufacturing Excellence program. All production units must present an activity plan to



-11%

Energy consumption relative to sales, decreased 11 percent in 2019, which is clearly better than the internal goal of 3 percent.

reduce energy consumption. In addition to process-related measures, many units are focusing on different types of systems for improved monitoring of energy consumption and on increasing energy awareness among personnel.

The positive outcome for the year of energy consumption (see table on page 132) reflects ongoing efficiency enhancements that can be most clearly seen in the improvement in results of the Group's most recently acquired units.

Renewable energy. The proportion of renewable energy is reported as a separate indicator in the table on page 132. A significant project was completed in Sri Lanka, where biomass has replaced fossil fuel to produce steam for production as of 2019.

Internally generated electricity is being produced using solar cells in Modena, Italy (new installation in 2019), in Malta and in Bengaluru, India.

Climate. A special overview of targets and challenges in the climate area adapted to recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) is presented on page 41.

Trelleborg's "20 by 20" climate objectives address and reflect the carbon intensity (no other greenhouse gases are included), meaning the total size of CO₂ emissions within Scope 1 and 2 relative to the size of operations, as well as work on a transition to emission optimization of energy sources in each country. The outcome in 2019 for these climate-related indicators is shown in the table on page 132. Trelleborg has corrected the value for the preceding year for CO₂ emissions due to inaccurate emissions deductions made in 2018 regarding the purchase of renewable energy.

The acquisitions of recent years have entailed that operations have become more energy-intensive as a result of an increased proportion of tire manufacturing. For the next few years, one key goal is to continue work to make all units more energy-efficient.

The base line for the Group's "20 by 20" climate goal was set on the basis of the performance of all Trelleborg units in 2015. Using this baseline, developments in 2019 were favorable and provide a solid foundation at the end of this 2020 target period. Read more about the next target period from 2021 on page 41.

The calculation of CO₂ emissions from the consumption of purchased electricity, steam and other indirect types of energy is mainly based on national conversion factors from the International Energy Agency (during the past year, these factors were updated to the version from 2018).

Conversion factors reflect the average total energy mix of each country. Emissions are lower from hydro and nuclear power, but higher from coal and oil. All adjustments of emissions compared with national conversion factors must be attested by a certificate from suppliers of the energy mix and net emissions delivered.

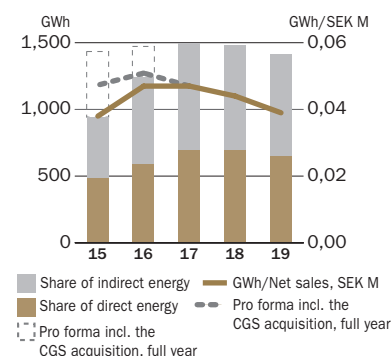
Only two of the Group's units – Prague in the Czech Republic and Tivoli in Italy – are included in the EU Emissions Trading System (EU ETS).

Described simply, operations are allotted emission allowances (1 allowance = 1 ton CO₂). Each year, the operations concerned must report their emissions of CO₂ and transfer emission allowances corresponding to the emissions caused. The actual number of allocated emission allowances for Trelleborg in 2019 was 34,008.

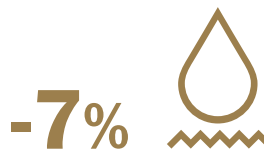
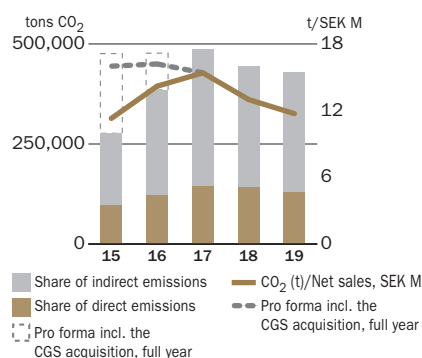
Water. Water is mainly used for cooling and washing in the production processes. The outcome for the year for water-related indicators is shown in the table on page 133. Major reductions in consumption have been made on an ongoing basis by using, for example, improved cooling and recycling systems.

Emissions to water are limited. They mainly comprise organic matter. An evaluation of water supply has been carried out for regions where Trelleborg's production units are located, and indicates that certain units are located in regions where water scarcity may

ENERGY



CLIMATE



Water use decreased during the year, despite growth in sales and production volumes. In total, the Group reduced water use by 7 percent relative to sales.

-7%
Relative to sales,
total waste decreased
7 percent (5).



become an issue, such as in China, Italy, Malta, the US and Sri Lanka. The focus for central water follow-up activities is on these regions.

Waste. Continuous efforts are taking place within local operations to cut production waste, which helps to reduce the amount of waste, and to increase the rate of recycling. In the same manner the volume of hazardous waste is gradually decreasing.

- » Recycling is carried out by external partners and internally, see the diagram on page 133.
- » Refer also to the section on circular resource efficiency on pages 36 and 41.

-14%
Emissions to air of
volatile organic com-
pounds (VOC) were
clearly reduced during
the year, in part through
increased recycling.

Emissions to air. In addition to energy-related emissions – such as CO₂, sulfur dioxide and nitrogen oxides – the Group's emissions to air mainly consist of volatile organic compounds (VOCs). Trelleborg uses the same definition of VOC as the EU.

The reduction of VOC emissions is a priority, both from an environmental and health perspective, and these emissions have been continuously reduced in recent years, refer to the table on page 133. Emissions are mainly derived from the use of solvent-based adhesives, and are critical only for a limited number of products and production units.

ALL DISPOSABLE PLASTIC BOTTLES ARE TO BE REMOVED FROM TRELLEBORG

In 2019, a global campaign was launched to eliminate all disposable bottles made of plastic before the end of 2020. Each facility in every country is to decide on the most suitable approach, as the situation and the best solution to the issue varies locally. A global section on the intranet page has been set up to exchange ideas and successful approaches.



The original idea for the campaign came from an employee who was inspired when attending the *One Young World Summit* for younger employees in international companies, see also on page 49.



TRELLEBORG ADVANCES TO THE HIGHEST LEVEL FOR REPORTING CLIMATE DATA

Since 2007, Trelleborg has participated in the CDP's (formerly referred to as the Carbon Disclosure Project) voluntary reporting of greenhouse gas emissions. This involves reporting relevant key figures and data, measures to prevent adverse climate impacts, and products, solutions and initiatives to improve society in this respect.

In the Annual CDP Report for 2019 on climate issues, Trelleborg received a score of A- (2018: B), which means the Group has advanced and demonstrates the highest level, Leadership, of how environmental concerns are inter-related with operations. This is higher than Europe's regional average.

A company's path towards a high level of environmental protection/administration is described by CDP using a process in four scoring levels that begin with Level D (Transparency), continues with C (Awareness), followed by B (Governance), and finally A (Leadership).

Water issues were also reported for the second time, and here Trelleborg received a score of B- (B-).

TRELLEBORG THIRD AGAIN IN ITS CATEGORY IN SUSTAINABILITY RANKING 2019

Trelleborg came third in the Durable consumer goods category in the new Swedish sustainability ranking Hållbara Bolag 2019, arranged by the business daily *Dagens Industri* and the *Aktuell Hållbarhet* magazine. Trelleborg was also third in its category in 2018.

In addition to information from company reports and websites, the companies have completed a survey about how they work with strategy and the UN Sustainable Development Goals, environment, climate, human rights, anti-corruption, standards and certificates and HR issues.

The ranking was carried out by the Lund University School of Economics together with an advisory committee.

TRELLEBORG AND CLIMATE 2019: THE WAY FORWARD

Based on the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), this page describes how Trelleborg's climate work is organized, how the Group is strategically contributing to lower emissions in society, risks/opportunities and goals and metrics.

STRATEGY AND ORGANIZATION

Trelleborg's current climate target of "20 by 20" is to increase energy-efficiency by 20 percent, using 2015 as the base year, by the end of 2020.

The CO₂ emissions in question are the direct emissions caused by energy produced internally (Scope 1) and the indirect emissions caused by energy purchased for own consumption (Scope 2). By the end of 2019, Trelleborg had achieved a reduction of 27 percentage points since 2015, when the base value was 16.0 tons/SEK M.

Green energy is key. In addition to becoming more emission-efficient every year through activities carried out under the Manufacturing Excellence program (see page 38), Trelleborg is aiming to reduce CO₂ emissions over time by transitioning to renewable energy from sources such as wind, solar and hydro power.

In 2019, a significant transition to renewable steam production using biomass from rubber plantations was carried out at Trelleborg's facilities in Sri Lanka.

After "20 by 20", Trelleborg will draw up a new climate target. The target will use 2020 as the base year. In the new climate target, which will be communicated in 2020, Trelleborg will:

- » take into account the scientific practice of how to achieve the 1.5 degree goal for society. The target will not only address Scope 1 and 2, but will also address emissions throughout the value chain, Scope 3, that are linked to Trelleborg.
- » In its new climate target, Trelleborg intends consider how the transition to renewable energy can be implemented in different countries through investments, technical innovation and other factors that influence the potential rate of emission reductions.

Climate change has been an important issue on Trelleborg's sustainability agenda for many years. The organization and governance is the same as for other sustainability issues. The Board – which regularly includes sustainability/climate on its agenda – and its Audit Committee are the highest governing bodies.

For society as a whole, many of Trelleborg's solutions help to save energy and reduce emissions, and play a part in renewable energy supply. With regard to climate issues, Trelleborg therefore has an important role to play in the transition of the global society.

Internally, the target to continuously become more energy-efficient, and thus more climate efficient, is a fundamental part of the Group's efforts to achieve world-class manufacturing. This systematic effort in all of the Group's units is associated with the strategic Trelleborg Excellence program, which aims to improve core processes (see page 35). In addition to this, the Group is pursuing a systematic transition of its own energy supply toward renewable energy.

INDIRECT EMISSIONS ALONG THE VALUE CHAIN

In 2018, Trelleborg conducted an analysis in cooperation with EY aimed at obtaining an initial general picture of indirect emissions along the value chain of operations, Scope 3.

The analysis showed that these emissions are significant and overall clearly exceed the total emissions in Scope 1 and 2. Purchased products and services were the single largest emission category. Next were purchased transportation, downstream and upstream. Back in 2016, EY estimated emissions from Trelleborg's transportation downstream to be substantial and approximately on a par with total Scope 2 emissions.

As a consequence of this report, and in preparing a new climate target, Trelleborg will further expand monitoring of emissions by major suppliers. Focus will be on polymer suppliers and transportation.

RISKS AND OPPORTUNITIES

Climate risks. The overview of the Group's risks on pages 53–55 includes a description of material sustainability-related risks managed at Group level. Climate-related risks are described separately below.

Opportunities. Trelleborg has identified opportunities associated with greater energy-efficiency for some time and engaged in systematic work in this area, as part of Manufacturing Excellence, see page 35.

Energy sources. Renewable energy reduces Trelleborg's CO₂ footprint over time. See page 39.

Products and solutions. Many of Trelleborg's products and solutions help customers and society save energy. Refer to pages 2, 33 and 37.

TARGETS AND METRICS

Trelleborg monitors on an annual basis both direct (Scope 1) and indirect (Scope 2) CO₂ emissions. These are measured relative to sales to relate these to the scale of production. Refer to the table on page 132, as well as Strategy and organization above.

REUSE OF RESOURCES

Circular business. Recycling, greater resource efficiency and circular business models offer considerable potential to reduce CO₂ emissions in society. In Trelleborg's case, industrial tire operations have played a particularly pioneering part in increasing the share of renewable and recycled raw materials and introducing service and lease-based business models. Refer also to page 36.



The Task Force on Climate-related Financial Disclosures (TCFD) is the call for climate action from the financial markets. It describes how companies should handle their climate-related information, including risks and opportunities.

COMPLIANCE WITH LAWS AND CODES



The *Compliance* focus area is clearly linked to the UN goals in categories 8 and 16. Read more about the connection to each goal on page 131.

On the basis of the Group's Code of Conduct, Trelleborg pursues work both internally and across the value chain to ensure compliance with laws, rules and international agreements.



>85%

of all Group employees underwent training in the new Code of Conduct in 2019.

Trelleborg's Code of Conduct applies to all employees without exception. Together with the whistleblower policy, it constitutes an important foundation for regulatory compliance in operations.

A cumulative assessment is that the Code of Conduct, together with Trelleborg's Compliance Program, aligns well with both Transparency International's guidelines on anti-corruption and with the Code of Business Conduct from the Swedish Anti-Corruption Institute.



2,893

individuals underwent training during the year in anti-corruption, competition law, contract management and so forth. The clear increase compared with the preceding year is primarily the result of the launch of e-learning programs.

Anti-corruption and competition law. Trelleborg has a zero tolerance policy toward all forms of corruption, including bribery and extortion, blackmailing, nepotism, racketeering and embezzlement. The contents of Trelleborg's Group-wide Compliance Program have been continuously developed and, in addition to issues related to competition law, also include issues of anti-corruption, export control, data protection and employee relations, as well as matters relating to professional conduct and business ethics.

Recently introduced elements are aimed at achieving excellence in the management of contracts, and in issues related to global distributors and agents. The program also provides information and guidance on the relevant legislation, such as anti-corruption law.

In the area of data protection, the General Data Protection Regulation (GDPR) has been rapidly rolled out to relevant target groups in Europe in 2018–2019, with roll-out continuing to target groups in Asia, Oceania and North and South America in 2020.

The Group's Compliance Program supports senior and middle management, as well as employees in the field and on the shop floor. They are supported by Compliance Officers in each Group company, who undergo special training in which they are encouraged as a group to share best practice in compliance issues to help others respond to the situations that may arise in their daily work.

Compliance with laws and regulations is an ongoing and long-term commitment for Trelleborg, and this has been monitored by a Compliance Task Force with senior representatives from staff functions that was established in 2015. The Task Force has been assigned to lead and coordinate initiatives across the broader area of compliance.

During 2019, the Compliance Task Force held four meetings that addressed, among other aspects, an update to training courses for the Code of Conduct and Group policies (see pages 44 and 134), trade restrictions, compliance and effects of new legislation such as new rules for data protection, information security, a review of legal entities and the integration of acquired businesses.

All employees are required to comply with applicable Group policies and internal governance documents, which have been strengthened at senior management levels of the company with acceptance documents that must be signed annually.

The Group's Whistleblower Policy also entitles all employees to report any suspected legal or regulatory violations without repercussion. Refer to the table on page 134 for matters reported via the whistleblower system. This system was supplemented with employee surveys carried out at regular intervals that receive a high response rate. In 2019, this was 81 percent (76). In addition to drawing attention to areas for local improvement projects, these surveys provide a clear indication of any problems with management or similar shortcomings.

In 2019, Trelleborg's Compliance Task Force continued its initiated review of Group policies to ensure that the messages they contain are understood by all individuals representing Trelleborg.

Specific legislation must be followed in certain countries, such as the US (the Dodd-Frank Wall Street Reform and Consumer Protection Act related to conflict minerals, and Technology Transfer Control legislation) and the UK (Bribery Act, Modern Slavery Act – which is designed to prevent forced labor and sex trafficking).

Compliance with laws and permits. Being a listed company with global operations, Trelleborg is subject to a range of laws, regulations and directives. Significant breaches of laws and permits leading to legal consequences or fines as well as breaches of environmental and Occupational Health and Safety-related (OHS) laws are shown in the table on page 134.

The area of human rights comprises fundamental rights defined by conventions and declarations, including those pertaining to child and forced labor, freedom of association, discrimination/diversity, gender equality and the right to collective bargaining. All of these areas are addressed in Trelleborg's Code of Conduct.

Within the framework of Trelleborg's ERM processes for internal risk identification and assessment, none of the Group's units has assessed the risk of human rights violations to be significant internally.

Child labor. A number of potential risks in the supply chain have been evaluated. Among those leading to measures was the risk of child labor at rubber plantation level. For many years, Trelleborg has cooperated with Save the Children in joint community initiatives, which has also strengthened internal know-how in the field of child labor. This has, in turn, been strengthened through dialogue with suppliers and by visiting natural rubber producers in Sri Lanka, Southeast Asia and Africa.

Forced labor includes various phenomena, from slavery to forced relocation and forced exploitation of human beings (trafficking). The risk of this is also judged to exist primarily in the supply chain.

During 2019, Trelleborg's corporate website renewed its annual statement regarding the management of issues concerning forced labor and trafficking, mainly in accordance with the UK's Modern Slavery Act and Californian law, and has also now incorporated child labor into the statement.

Freedom of association. Trelleborg's policy is to recognize local union clubs, and the right to collective agreements. No units are assessed to be at serious risk of violation in this area. In China, however, certain restrictions related to freedom of association apply.

The percentage of employees with union representation is shown in the table on page 134.

Discrimination. No discrimination of employees is permitted on the grounds of gender, religion, age, disability, sexual orientation, nationality, political views or social or ethnic origin, which is presented clearly in the Code of Conduct. Special training initiatives are continuing in efforts to prevent harassment.

Read more about outcomes for the year in relation to discrimination in the table on page 134 and about Trelleborg's diversity activities on pages 46–47.

The environmental area comprises regulatory compliance with local environmental laws and permits, as well as certified environmental management systems.

Environmental management systems. A cornerstone of the Group's environmental strategy is that major production units must have an ISO 14001-certified environmental management system. Facilities that are incorporated following an acquisition are allowed a certain period of time to achieve this certification. The percentage of certified units is presented on page 134.



At the end of 2019, 89 units (87) were certified under ISO 14001, corresponding to 73 percent (73) of all facilities.



51%

51 of all employees (54) are represented by a trade union through collective agreements.



During the year, 17 matters (18) were reported via the whistleblower system, most of which concerned complaints about local management and measures such as staff reductions.



Contaminated soil is currently being remediated at 9 units (9).

Environment laws and permits. Fines or sanctions for breaches of environment or OHS-related rules are shown in the table on page 134. This also applies to unplanned emissions.

Contaminated soil. Historically, the handling of oil and solvents has given rise to soil and groundwater contamination, which is described in the table on page 134.



In 2019, 16 environmental studies (18) of facilities were performed in conjunction with potential acquisitions or closures.

Environmental studies. For potential acquisitions and divestments, Trelleborg performs environmental studies of the companies to assess and outline their environmental impact and to identify potential environmental liabilities. The number of environmental studies conducted in 2019 is presented in the table on page 134.

Suppliers. A total of about 23,000 suppliers are concentrated in Europe, North America and Asia. Trelleborg's main raw materials are synthetic and natural rubber, (see also page 38), metal components and various additives.

While purchasing is based on a joint process, it is distinctly decentralized to the operational units, in line with a decentralized responsibility for performance. The exception to this is when purchases at the business area or Group level yield cost benefits. This applies in particular to rubber material and material and services that are not directly included in products.

Supplier assessment. Supplier assessments have continued in 2019, primarily via Group-wide questionnaires, containing questions related to human rights, OHS, environmental management and social responsibility. Unsatisfactory responses are investigated. Refer to the table on page 134 for the year's outcome. A new internal system for supplier assessments will be launched in 2020, which will further streamline the process.

In conjunction with the launch of a new climate target, follow-up of climate performance of suppliers and other selected sustainability performance measures will be further developed during the coming five-year period.

Supplier audits. Work auditing "at-risk suppliers" through site visits continued in 2019, see page 134. The focus has been on textile suppliers, chemicals suppliers and natural rubber suppliers. The basis for selection of suppliers to audit through site visits is both a geographic and material risk assessment.

Underperforming suppliers are given a deadline of one to three months for corrective measures following an audit. The time limit varies depending on the severity of the breaches.

86%

Sustainability assessments took place of suppliers corresponding to 86.4 percent (85.5) of the reported relevant purchasing spend.

THE CODE OF CONDUCT IS THE BASIS FOR ALL COMPLIANCE

Trelleborg's Code of Conduct in the areas of environment, OHS and ethics forms a basis for all operations in the Group, and applies to all employees, without exception. A comprehensive review of the Code of Conduct was carried out in 2018 and the new version was published in 2019. A global training initiative was conducted during the year, and more than 85 percent of all employees received training. E-learning and other training material is available in 15 languages.

The new Code of Conduct from 2019 is based on internationally recognized conventions and guidelines, such as the Universal Declaration of Human Rights, the ILO conventions, the OECD guidelines and the UN Global Compact, and contains new regulations in areas such as trade restrictions, information processing and diversity. It is available for download from www.trelleborg.com.

Trelleborg's Whistleblower Policy and system mean each employee is given the right and opportunity, by telephone or online, to report suspicions of legal or regulatory violations in their own language, without repercussions.



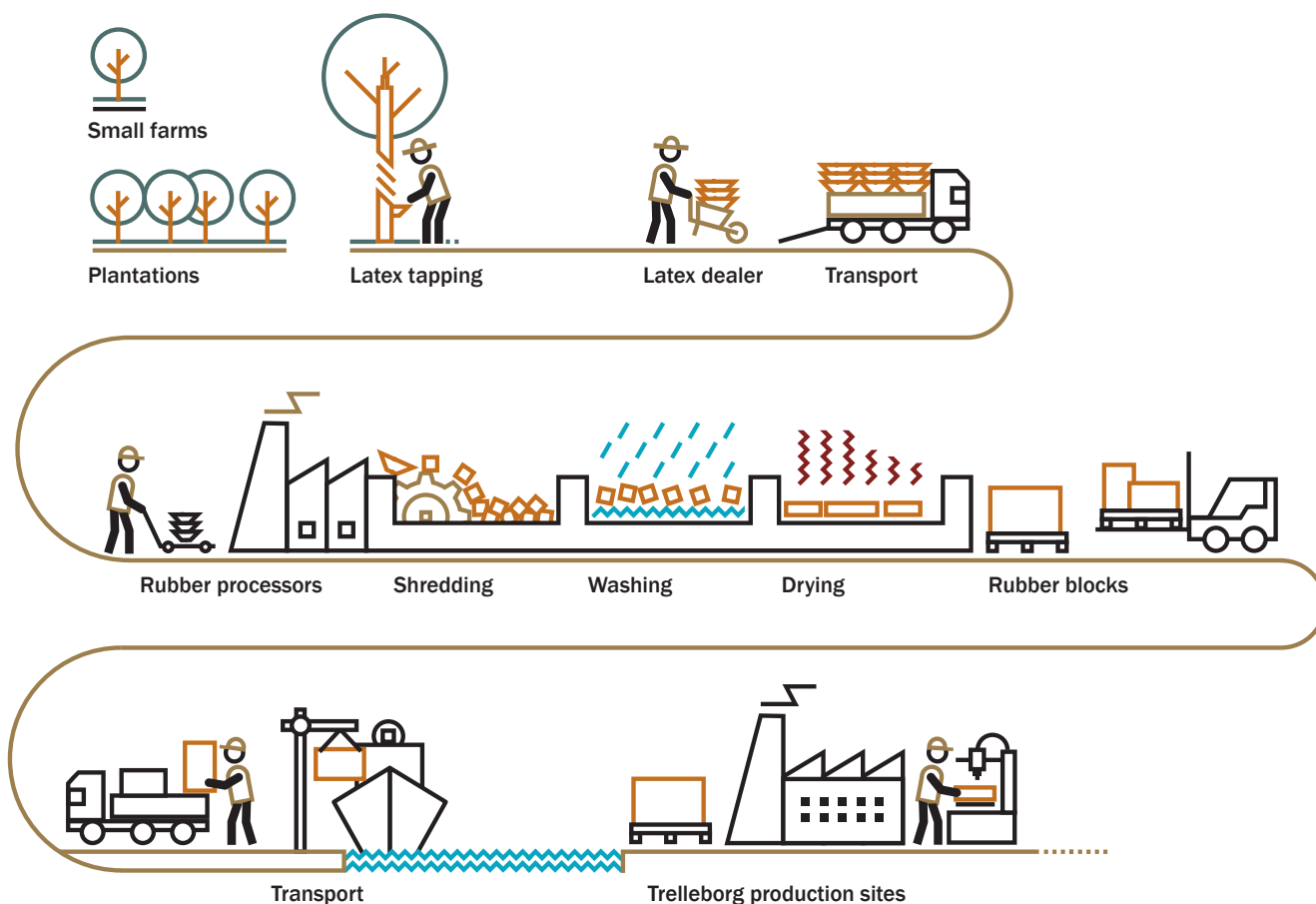
Trelleborg's Code of Conduct, Whistleblower Policy and Compliance Program form a base that aligns well with both Transparency International's guidelines on anti-corruption and with the Code of Business Conduct from the Swedish Anti-Corruption Institute.

GROUP POLICIES IN THE AREA OF COMPLIANCE

All relevant employees sign an Acceptance Letter every year where they confirm knowledge of and agree to comply with all of the Group's policies. The following Group policies are considered to form the core of the regulations Trelleborg applies in the area of Compliance:

- » Anti-corruption Policy
- » Competition Law Policy
- » Whistleblower Policy
- » Policy for Handling of Agreements
- » Policy for Transactions with Related Parties

PRODUCTION OF NATURAL RUBBER



Natural rubber. The value chain is relatively long from grower to Trelleborg's production facilities. Three or four stages is not unusual, but this varies depending on the country/continent. Trelleborg has a continuous dialogue with natural rubber suppliers with themes such as working conditions, human rights and biodiversity. Dialogs include both meetings and visits to the production chain. Over the past five years, major training initiatives and visits have taken place in Sri Lanka, while meetings and visits have been conducted in Southeast Asia and Africa (Ivory Coast).

FOR DIVERSITY AND DEVELOPMENT



The *Diversity* focus area is clearly linked to the UN goals in categories 5 and 8. Read more about the connection to each goal on page 131.

Trelleborg believes in offering employees opportunities to become engaged, learn and grow to advance in their careers. Greater gender equality and more female managers is an integrated part of work with diversity and inclusion.

38%

The proportion of women on the Board in 2019 was 38 percent (38).

The Diversity Policy at Group level recognizes that diversity is a strength for the Group. Enhanced diversity and inclusion has the potential to further drive Trelleborg's performance and results, both at team level and individually. Better communication with customers and problem solving are only a few such examples of the advantages of diversity.

Trelleborg therefore works to achieve a balanced mix of ethnicities, ages and genders, taking into consideration the type of operation being pursued.

Diversity and inclusion are generally seen as important elements in situations such as recruitment, training, evaluation, pay structures and succession planning. Trelleborg is continuing the work started to identify and establish targets and key figures in the focus area of Diversity, for continuous follow-up and reporting.

Alongside the fundamental rules against special treatment and discrimination in the Code of Conduct (see page 44), the company values knowledge wherever it is found, with no other criteria than the fundamental view that all people are equal and have the same rights. See more about discrimination on pages 43 and 134.

Ethnicity. A basic rule is that the company's senior management and other managers should have local roots, which naturally leads to ethnic diversity in the management of a company that operates in some 50 countries.

Age. A core issue for all knowledge organizations, including Trelleborg, is the ability to recruit young talent.

Trelleborg has for a number of years increased focus on the younger generations – employees born 1980 and later (Generation Y), and different initiatives have been carried out, for example, that selected young employees take part in the *One Young World Summit*, an annual global congress on the theme of sustainability, innovation and diversity. In addition to this, the Group has expanded its Graduate Program to two programs per year instead of one.

Trelleborg has also established an internal key figure to measure the retention of young talent within the organization.

Gender. In an engineering-dominated company like Trelleborg, efforts to achieve a more even gender balance for this type of operation present challenges that require work at all levels. Higher Group and business area levels remain dominated by men, but the gender distribution is significantly more balanced in the business operations.

An internal key figure was introduced to measure the number of female managers down to management level 5 in the organization, with the ambition to raise the percentage of women managers at these levels from year to year, and over time create a better gender-balanced recruitment base at higher levels.

Efforts to achieve an improved gender balance include actively seeking women candidates for all executive and managerial positions, and for all of the Group's training and development programs, particularly its leadership.

Trelleborg has also put new emphasis on Employer Branding, meaning the type of employer the company is and how it wants to be perceived, both internally and externally. To this end, a motto has been written that reflects Trelleborg's promise as an employer as part of an initiative to increase focus on attracting, retaining and developing talented people. This motto – *Shaping industry from the inside* – is used internally and externally, in both digital channels and in print as well as at career days, trade fairs and other events.

Trelleborg Group University, the Group's joint training organization, increased the number of training participants during the year by 24 percent, to a total of 27,904 (the same employee may have completed several training courses). The number of hours in classroom training had fallen due to the greater focus on virtual learning and e-learning.

Leadership is the learning area that increased most during the year. More than 1,000 managers have completed the new Local Leadership program, of which 500 supervisors from production.

The Excellence program remains by far the largest learning area in the portfolio.

TRELLEBORG'S GLOBAL PRESENCE

The number of employees in the Group at year-end, including insourced and temporary employees, was 23,935 (24,045). Of the total number of employees, 95 percent work outside Sweden.

During the year, the average number of employees in the Group's operations increased to 22,952 (22,420), of whom women accounted for 25 percent (25). Refer to Note 10, page 89.

Salaries and other benefits for employees (excluding insourced employees) in the Group's operations amounted to SEK 8,733 M (7,770).

Personnel turnover (not taking terminations and retirements into consideration) varies between countries and facilities, and usually reflects the local labor situation.

NUMBER OF EMPLOYEES AT YEAR-END ¹

Distributions by country	2019	2018
Czech Republic	3,964	4,561
US	3,303	2,911
UK	2,017	1,631
China	1,599	1,693
Italy	1,338	1,316
Sweden	1,181	1,240
Germany	1,141	1,116
France	1,054	1,051
Sri Lanka	945	937
Slovenia	925	942
Other	6,468	6,647
Total	23,935	24,045

¹ Including insourced and temporary employees.

MORE DIVERSITY AND DEVELOPMENT INITIATIVES IN 2019

In 2019, Trelleborg undertook several initiatives related to diversity and development:

- » The Group e-learning program on the topic of diversity and inclusion to increase awareness of the significance of diversity and unconscious prejudices was expanded to 13 languages. A total of about 3,600 employees have completed the course. The Group's training course on core values was also expanded to 13 languages in 2019.
- » Questions were added to the Group's annual employee survey regarding diversity and inclusion with the aim of identifying specific areas of improvement, globally and locally. The outcome in 2019 reflects a better understanding of the importance of diversity.

- » The Group noted a positive and strong move toward greater gender balance in the recurring programs for graduates, where the average for the two latest programs launched in 2019 comprised 60 percent men and 40 percent women. Trelleborg has chosen to incorporate a stronger focus on cultural differences in the accompanying training material.
- » In general, the Group can see improvements in gender balance in the global leadership programs run by Trelleborg Group University, where the proportion of women has gradually increased every year.
- » Trelleborg has also increased focus on inclusive leadership in the global leadership programs.

BROAD-BASED SOCIAL ENGAGEMENT



The Society focus area is clearly linked to the UN goals in categories 4 and 17. Read more about the connection to each goal on page 131.

Trelleborg engages with the community wherever the Group operates. Some of its most visible programs are in countries where the initiatives make the greatest difference, including Sri Lanka and China, where youth development is supported through school projects. Global partnership and guidelines form another aspect of Trelleborg's community engagement and sustainability dialogue.

Trelleborg's value for society. In the longer term, Trelleborg's products and solutions represent the company's broadest and clearest opportunity to contribute to improving the sustainability of the whole of society in accordance with the UN Sustainable Development Goals. This is achieved through the ability of its products and solutions to protect what matters in society, such as people, infrastructure and assets, which is described on pages 36–37.

Trelleborg's total value creation and its distribution in 2019 between various stakeholders in society is presented on page 19 and in the table on page 135.

Local development programs. In all of the different places in which the Group operates, Trelleborg aims to promote the social integration of groups, such as children/young people as well as people with disabilities. This is usually through educational and development initiatives, which include meaningful recreational activities, such as culture, physical activity and sports. Development programs with this focus are taking place in countries in which Trelleborg operates. One positive, long-term effect of these initiatives is that young talent are made aware of Trelleborg as an employer.

Similar cooperation – support or sponsorship – of activities with an environmental, health or social focus are in progress locally at a significant number of Trelleborg units. In local collaborations with sports clubs, the issue of diversity is prioritized, primarily through activities targeting young people. An inventory during 2019 found more than 240 such local, regional, national and global initiatives involving Trelleborg, 70 percent of which targeted young people.

In addition to these, Trelleborg collaborates with a number of schools and universities, such as internships with the University of Malta, Örebro University and Lund University/the International Institute for Industrial Environmental Economics in Sweden (refer also to page 127) as well as with various interest groups.

Sri Lanka. In partnership with Star for Life, a school program has been ongoing in Sri Lanka since 2012 and this was extended over time to include two schools in the Colombo area: Kelani College and Bellana College. The formal start of the collaboration with Bellana College took place in 2017.

The program aims to inspire and support school children to believe in their future and their dreams through regular coaching sessions and sports and music activities.

After three years of the program at Kelani College, the program was evaluated, and was found to have resulted in improvements in attendance, positive attitudes, better study results, physical and mental balance and a reduction in absenteeism and fewer conflicts.

In Sri Lanka, Trelleborg has also been running a pre-school under the name Antonio Bianchi's House since 2010. The pre-school has daily Montessori activities for children from families with limited resources.

India. In 2019, partnerships with several different voluntary organizations in India continued. One important initiative is a scholarship program that supports further educations for talented young people. A *Village Uplift Program* was run in cooperation with the Hand in Hand organization, with the aim of creating an environment and an infrastructure to promote local development for the Maralukunte community in the Bengaluru region, located some 70 km from Trelleborg's facilities.

China. The latest major initiative was launch in 2019 in China and addresses school children in rural areas, whose parents have moved far away to work and handed over responsibility for their children to the older generation.

Trelleborg has committed to cooperate with the aid organization Soong Ching Ling Foundation in a three-year project to help set up 10 centers for these young people. The centers will alleviate the situation for the school children left behind, where a lack of parental care, declining motivation to study and insufficient supervision are common problems.

>240

More than 240 global, regional and local cooperative initiatives were ongoing in 2019.

For integration and diversity in Sweden. Trelleborg also runs local initiatives in Sweden to contribute to social integration. For a number of years, the company has had a recurring cooperation with Trelleborgs FF and Ramlösa Södra clubs, organizations that stand out as having used sport as a method for community initiatives, such as creating social interaction and meaningful recreational activities for groups of young people, for example, newly arrived refugees and functionally diverse groups.

Global partnerships and guidelines. Trelleborg signed the UN Global Compact already in 2007, and has since presented its report every year of developments in the areas covered by the document: environment, labor, human rights and anti-corruption.

Since 2008, Trelleborg has applied applicable Global Reporting Initiative's (GRI) guidelines for sustainability

reporting, and Trelleborg's auditors have conducted a third-party review of the results.

Since 2007, Trelleborg has also reported climate data to CDP (refer to page 40), for transparency in terms of emissions, risks/opportunities and other material climate-related information. Water reporting was added later.

Trelleborg will continue to develop its reporting in accordance with the UN Sustainable Development Goals as this framework gains ground as the basis for sustainability communication and dialog between companies, the finance market, politicians and citizens in respect of the shared agenda until 2030. A detailed index of the link between Trelleborg's operations and the UN goals is available on page 131, while the commercial relevance is described on pages 36–37.

SUSTAINABILITY INITIATIVES IN TRELLEBORG'S WORLD



CHINA Starting in 2019, Trelleborg Wheel Systems is investing in about ten centers in China for school children who have been left behind in their home villages in rural areas when their parents moved to find work. Together with the aid organization Soong Ching Ling Foundation, these centers will offer support to young people in motivating study and in supervision.



SRI LANKA In two schools and one pre-school in the Colombo area in Sri Lanka, Trelleborg has worked with a local aid organization for many years to offer various types of support to young people for a better start to their lives. The Star for Life concept helps them find meaningful recreational activities and realize their dreams for the future.

INDIA Since 2016, Trelleborg Sealing Solutions in India offered a scholarship program together with Akshaya Patra Foundation. The scholarships help students to continue with their studies despite financial constraints. In 2019, a total of 255 students received a scholarship.



DENMARK Sustainability is a common thread for the prize-winning canteen at Trelleborg Sealing Solutions in Denmark. The team who runs the canteen has had a strong focus on the UN Sustainable Development Goals, which they use in day-to-day work and that demonstrate how significant results can be achieved by working together.



MESSAGE IN A BOTTLE Trelleborg's ambition is to eliminate all disposable plastic bottles from workplaces before the end of 2020. Well aware that this requires planning, the Group has created a section on the intranet to exchange ideas, share success stories and inspire each other.



ONE YOUNG WORLD SUMMIT – LONDON 2019 Four young Trelleborg employees from three continents of the world took part in the One Young World Summit 2019 in London. Following the conference, all participants presented their ideas for future projects to decision makers at Trelleborg.

RISKS AND RISK MANAGEMENT

Risks are associated with all business operations. Properly managed risks can lead to opportunities and value creation, while risks that are managed incorrectly can lead to damages and losses.

Risk spread. The ability to identify, evaluate, manage and monitor risks plays a central role in the management and control of Trelleborg's business operations. The aim is to achieve the Group's targets while applying well-considered risk-taking within set parameters.

Trelleborg serves a broad range of customers in a variety of market segments and niches. The business has a wide geographic spread. The Group has operations in about 50 countries, sales are conducted in just over 150 countries worldwide and manufacturing operations are carried out at more than 100 production sites. The business is diversified, which provides Trelleborg with an effective underlying risk spread.

Demand for the Group's products and solutions largely moves in line with fluctuations in global industrial production. Trelleborg focuses on maintaining an exposure to its market segments that has a good balance between early and late cyclical industry, meaning general as well as capital-intensive industry, the demands from which often balance each other out. Seasonal effects occur in the various market segments, particularly in the agricultural segment, which normally experiences higher demand for tires for agricultural machines during the first half of the year. Even for the Group as a whole, demand is usually higher in the first half of the year than in the second half of the year.

Enterprise Risk Management. Trelleborg has an established process for Enterprise Risk Management (ERM) that provides a framework for the Group's risk activities. The purpose of the ERM process is to provide a Group-wide overview of Trelleborg's risks by identifying them, evaluating them and providing a basis for decision-making regarding the management of risks, and to enable a follow-up of the risks and how they are managed.

Trelleborg has chosen to group the risks into four areas as shown in the illustration to the right. Risks

related to confidence run as a common thread through these areas.

Strategic risks include external factors that could impact Trelleborg's operations, and internal factors that could impede opportunities to achieve the operation's strategic goals. Read more about Trelleborg's strategic cornerstones on pages 34–35.

Operational risks are risks that Trelleborg can itself largely manage and prevent, and which mainly pertain to processes, assets and employees. Read more about how Trelleborg works to ensure safe and efficient use of resources and about diversity on pages 38–40 and 46–47.

Regulatory compliance risks relate to Trelleborg having a global operation that is subject to a large number of laws, regulations and rules pertaining to, for example, the environment, health & safety, trade restrictions, anti-competition regulations and currency regulations. Read more about Trelleborg's compliance with laws and codes on pages 42–45.

Financial risks include interest rate and foreign exchange risks that could adversely impact the Group's earnings. Furthermore, there are financing risks and liquidity risks, which could result in difficulties in raising new loans or shareholders' equity, as well as financial credit risks. Read more about Trelleborg's financial risk management in Note 32, pages 110–112.

In the Corporate Governance Report on pages 60–65, there is a detailed description of the internal controls used to manage the risks associated with financial reporting.

Sustainability risks, such as climate impact, work environment risk or risks in the field of human rights are integrated into the four areas. It also includes the risks relating to failure to comply with laws and rules, both as a Group and among the Group's suppliers.

Confidence risks. Risks relating to confidence are a common thread through all areas – that is, events and behaviors that negatively impact the company's brands and confidence. For example, the behavior or business decisions of an individual employee could destroy the confidence built up over a long period of time. Trelleborg works on a variety of issues and activities to strengthen and build confidence in the Group, such as training in the Code of Conduct, a clear and well-known brand promise, stakeholder dialogue, product safety and so forth.

Crisis management. Trelleborg's crisis management is decentralized, which means events should, as far as possible, be resolved locally, close to the origin of the incident. The crisis organization at Group level – consisting of a team from the Group Legal, Communications and HR staff functions – is to ensure that relevant employees at Trelleborg have the necessary knowledge and capabilities to handle incidents. In the event of a major incident, which can be considered to impact the Group as a whole, the Group's crisis organization, including the Board of Directors, is informed and assesses how to handle the event.

ERM priorities. Trelleborg's risk activities are carried out at various levels within the Group. The Group's various companies, business areas and business units have identified a total of about 250 risks. The vast majority of these are managed locally. But some 30 of these risks may have a major impact at a business area and/or Group level and are thus managed at one of these levels. These risks are shown in the risk radar illustration on page 53. The risks on the risk radar, which in turn may have a substantial impact on the possibility of reaching the Group's goals, are described in more detail on pages 54–55 and in Note 32 on pages 110–112 concerning financial risk management.



Evaluation of identified risks and consolidation of priorities in risk management is led by the Risk Management staff function. The evaluation comprises a component of the annual strategy process and primarily involves the management teams of the business areas, but also Group Management and the staff functions. The risks that are deemed material and therefore have a significant impact on the entire Group are managed by the ERM Board. The ERM Board leads the overall coordination and monitoring of risk activities. The highest governing body is the Board of Directors and its Audit Committee, which routinely manages these risks.

Responsibility. Like the ERM Board, the ERM process and work pertaining to risk are controlled centrally by the Group's Risk Management staff function led by the General Counsel, who assumes ultimate responsibility. In addition to these people and the Internal Control staff function, the ERM Board consists of the Group's CFO and Group IT staff function. The ERM Board is tasked with coordinating and prioritizing the risks and risk processes and ensuring that there is clear ownership of prioritized risks.

Responsibility for risk management lies with the respective managers of Trelleborg's various companies, business areas and business units. This responsibility encompasses the day-to-day work pertaining to operational and other relevant risks, as well as leading and developing risk management activities. The managers are supported by central Group resources in the form

of the Risk Management, Internal Control and Group Treasury staff functions, as well as Group-wide risk processes and tools.

Group Treasury is responsible for financial risk management activities. The unit is in charge of Group companies' external bank relations, liquidity management, net financial items, interest-bearing liabilities and assets, Group-wide payment systems and netting of currency positions. Centralization of the Group's treasury management ensures substantial economies of scale, lower financing costs, strict management of the Group's financial risks and improved internal controls.

Read more about financial risk management in Note 32, pages 110–112.

Monitoring. Trelleborg's risk management is systematically monitored by Group Management using such tools as monthly reports from the managers in charge. The reports describe the status within their respective areas of responsibility, including the status of identified risks. The Group's General Counsel reports regularly to the Audit Committee on the Group's risk and risk management, and the Group's CFO reports regularly to the Audit Committee on the status of the financial risks. Furthermore, the President regularly provides the Board with reports on the development of the Group's risks. The Group's companies, business areas and business units use a consolidation system for systematic identification, analysis, evaluation and for monitoring of the management of reported risks.

RISKS WITH MAJOR IMPACT AT THE BUSINESS AREA AND/OR GROUP LEVEL

Risks at Trelleborg. Trelleborg has identified some 30 strategic risks, operational risks, regulatory compliance risks and financial risks using a so-called risk radar. The closer a risk area is to the center of the illustration below, the higher the probability that it will cause financial damage or have an adverse impact on confidence in Trelleborg. The colors of the risks indicate change in relation to the preceding year.



Material risks at Trelleborg. The risks on the risk radar above that the Group considers material and therefore justify management at Group level, are as follows:

Regulatory compliance risks

- » Violation of laws and permits (Competition law and Export control)
- » Corruption and fraud
- » Human rights-related risks

Operational risks

- » Products in environments with elevated risk levels
- » Substandard and inappropriate agreements
- » Negative environmental impact
- » Risk of injury at sites
- » Work environment risks
- » Disruptions to critical IT systems

Strategic risks

- » Commercial failures
- » Climate impact




Financial risks

(see Note 32, pages 110–112)


- » Liquidity risks
- » Interest rate risks
- » Foreign exchange risks
- » Credit risks

RISKS THAT COULD SIGNIFICANTLY AFFECT THE GROUP

REGULATORY COMPLIANCE RISKS ¹



Risks	Focus	Management and main activities	Relevance for UN goals
Violation of laws and permits	Compliance with applicable legislation	<p>The Compliance Task Force leads and coordinates initiatives in this area, see pages 42–43. Training seminars in competition law and the EU's General Data Protection Regulation (GDPR) are arranged. There is an established process for export control with a focus on embargoes and trade restrictions, and there are procedures, for example, for approval of membership in organizations.</p> <p>Regular legal reviews are conducted with a focus on monitoring and ensuring compliance in the Group companies. The Group's internal controls, which are focused on regulatory compliance, have been both expanded and formalized over the past few years.</p>	 16.3
Corruption and fraud	Measures preventing fraudulent conduct	<p>Established policies and procedures form the basis of the work in this area, which is supplemented with routine training and a letter of acceptance, signed yearly, for the relevant employees, see page 43. Trelleborg's Whistleblower Policy also entitles all employees to report any suspected legal or regulatory violations without repercussions, see page 134.</p> <p>Agency and distribution agreements are regularly reviewed and evaluated, and a special group has been formed to counteract financial fraud. The Groups internal policy instruments have been reviewed, and Policy Quick Guides have been produced to further increase the distribution and comprehension of regulations and the Group's core values.</p>	 16.5
Risks in the area of human rights	Child labor/forced labor in the supply chain	Supplier reviews and supplier audits in the areas of risk are conducted based on the Group's geographic and materials risk assessments, see page 44 and 134.	 8.8

OPERATIONAL RISKS


Risks	Focus	Management and main activities	Relevance for UN goals
Products in environments with elevated risk levels	Review of products and solutions	Not only risk assessments but also training and workshops are conducted to identify products and contracts where it is especially important that the products comply with the quality and functional requirements necessary in extremely demanding environments – for example, oil and gas, marine hoses for oil and gas, healthcare & medical, and aerospace. Contracts and processes concerning production and project management are also subjected to legal review and risk assessment.	
Substandard and inappropriate agreements	Examination of agreements	In contractual matters, comprehensive training in addition to internal and external legal examinations and evaluations of contracts are carried out in prioritized areas.	
Negative environmental impact	Review of the sites' local environment and focus on hazardous materials and chemicals	<p>Environmental risks are identified in conjunction with all new construction and all acquisitions, with a focus on chemicals management, rainwater and the risk of floods. Sites that are susceptible to risk are routinely monitored.</p> <p>The Global Chemical Task Force leads the work to phase out and replace substances that are considered harmful, and monitors such substances that may be of interest in the future, using an internal Restricted Materials List, see page 38. In addition, there is ISO 14001 multi-site certification, which results in increased standardized analysis and control.</p>	 12.4

¹ Risks in the social sphere are managed by Trelleborg as part of Regulatory compliance risks.

OPERATIONAL RISKS, CONT.

Risks	Focus	Management and main activities	Relevance for UN goals
Risk of injury at sites	Protection of critical sites	External and internal analyses of the Group's operations with regard to results of the most critical sites. Also a more in-depth mapping of natural disaster risks, with a particular focus on flooding and wind effects, including such risks that are related to climate change. There are guidelines for new construction and upgrades of risk-classified sites. The number of such sites upgraded to Highly Protected Risk (HPR) has increased over the past few years. One aim is to improve the lowest performing and most critical sites.	 13.1
Work environment risks	Health & safety	Risks in the area of health and safety are managed via Safety@Work, see page 38. Issues concerning employees are otherwise monitored as part of Compliance with laws and codes, see page 43, and diversity, see page 46.	 8.8
Disruptions to critical IT systems	Minimize disruptions	IT infrastructure service levels are in focus, as is the implementation of Group-wide upgrades in a structured manner. Ensuring compliance with legal requirements in the countries in which the Group operates is an important part, as is information security within and among the systems.	

STRATEGIC RISKS

Risks	Focus	Management and main activities	Relevance for UN goals
Commercial failures	New product segments, major projects and acquisitions	In conjunction with all acquisitions, there is a due diligence program covering the areas of finance, operations and legal. New products in selected segments such as healthcare & medical and aerospace are approved centrally before development work begins. For the past few years, there has been increased business support when establishing new product segments and for larger projects concerning liability risk management, legal risks and new establishments of operations.	
Climate risks	Reduction of CO ₂ emissions Adaptation of production and products	For many years, energy efficiency has been the focus of the Manufacturing Excellence program, see pages 38–39. The Group's future climate targets will take scientific best practices into consideration for their establishment, see page 41, and a process for the Group's management of certificates of origin for renewable energy is in development. There is Group-level planning for investments and other measures for the purpose of reducing emissions. Climate and other environmental issues drive local legislation and political instruments, and Trelleborg adapts itself to these in the relevant production countries. At the same time, several of the Group's products and solutions help to reduce atmospheric emissions and protect society from climate change, see the examples on page 37.	 13.1

CORPORATE GOVERNANCE

Clear and precise structure for a stable basis of operations

Together with the decentralized organizational model, the systematic work of the Board of Trelleborg strengthens the Group's conditions for long-term value generation.



Virtually every aircraft platform contains Trelleborg's seals, but engineered applications are not just in the air but on the ground too. Efficiency and safety are key when deploying air bridges and steps. Specialty tires help people embark and disembark planes as quickly as possible with the utmost stability. At the same time people and planes are protected by bellows, made of engineered coated fabrics.

CORPORATE GOVERNANCE THAT SUPPORTS TRELLEBORG'S DEVELOPMENT

We can look back on an intense year for the Board, dealing with issues such as a tougher business climate, structural changes and a significant impairment of capital employed. But 2019 was also a year of targeted capital expenditure, a number of product launches and eight minor acquisitions.

Balance between opportunities and risks. In the Board's work, it is important to keep our sights on the long-term objective, to focus operations on markets and segments with the greatest potential for profitable growth and favorable value appreciation, while also devoting attention to more short-term issues.

The Board both approved and pursued a number of issues in 2019. At the end of the year, Trelleborg announced a strategic review of several operations that need to improve their business and profitability. We decided to highlight these in a separate reporting segment, Businesses Under Development, to be clear toward the company's investors and shareholders. In parallel with this change, we also announced a non-cash impairment of capital employed of about SEK 3,200 M, related to these operations. The tougher business climate in 2019 also entailed cost adaptations, primarily in the Trelleborg Wheel Systems business area.

On a visit to Serbia, the Board viewed the investments made in the tire operations that have enabled efficient and first-class production. We received an update on the engineered coated fabrics operation, which has grown organically and through acquisitions in recent years. The Board also gained further knowledge of the Trelleborg Sealing Solutions business area, which is growing in the healthcare & medical area. It is clear that Trelleborg's solutions effectively protect what matters – people, the environment, infrastructure and other assets in society.

The follow-up of various sustainability issues is a recurring item at Board meetings, from regulatory compliance to information about different social engagement activities. The Board's agenda for 2020 includes a decision on a new climate target for the Group taking into account the scientific practice of how to achieve the 1.5 degree goal for society.

Corporate governance that promotes value generation. Corporate governance at Trelleborg also entails that there is to be a clear structure, with clear rules and processes that ensure that the focus of the management and employees is set on developing the business.

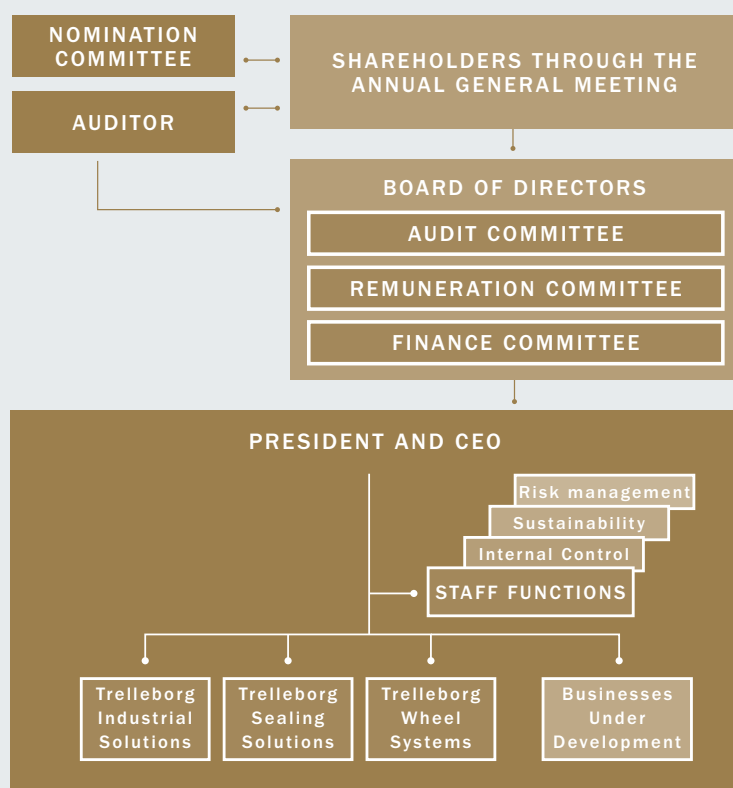
Trelleborg's Code of Conduct in the areas of environment, occupational safety and health, and ethics forms a basis for all operations in the Group, and applies to all employees, without exception. An updated version of this was published in 2019 and a global training initiative was conducted during the year. More than 85 percent of employees were trained in the Code, via e-learning and other training material, which is available in 15 languages.

Trelleborg will celebrate 115 years of business in 2020. We will celebrate this special year with the knowledge that the company has developed into a world leader in engineered polymer solutions.

Hans Biörck, Chairman



CORPORATE GOVERNANCE IN TRELLEBORG AB



EXTERNAL POLICY INSTRUMENTS

The external policy instruments that constitute the framework of corporate governance at Trelleborg include:

- The Swedish Companies Act
- The Swedish Annual Accounts Act
- Nasdaq Stockholm's rules and regulations
- The Swedish Corporate Governance Code
- IFRS
- Applicable EU regulations

INTERNAL POLICY INSTRUMENTS

The internally binding policy instruments include:

- The Articles of Association
- The rules of procedure for the Board of Directors
- Instructions for the Audit Committee, Remuneration Committee, President and financial reporting to the Board of Directors
- Core values
- The Code of Conduct
- The Treasury Policy
- The Communication Policy
- Other instruments, policy documents, manuals and recommendations

In addition to the above, processes are in place for Enterprise Risk Management (ERM), Sustainability and Internal Control.

SHAREHOLDERS Shareholders exercise their power at the Annual General Meeting, which is Trelleborg's highest decision-making body. The Meeting adopts the Articles of Association and, at the Annual General Meeting, the shareholders appoint Board members, the Chairman of the Board and auditor, and make decisions regarding their fees. In addition, the Annual General Meeting passes resolutions regarding the adoption of the income statement and the balance sheet, the allocation of the company's profit and the discharge from liability toward the company of the Board members and the President. The Annual General Meeting also makes resolutions regarding the appointment of the Nomination Committee and its work, and the principles for the remuneration and employment terms for the President and other senior executives.

NOMINATION COMMITTEE The Nomination Committee represents the company's shareholders, nominates Board members, the Chairman of the Board and the auditor, and proposes remuneration to be paid to these.

AUDITOR The Annual General Meeting appoints an auditor that examines the annual report and accounts, the consolidated financial statements, the administration of the Board of Directors and President and the annual report and accounts of subsidiaries, and submits an audit report.

BOARD OF DIRECTORS The Board of Directors is responsible for the organization and management of Trelleborg's affairs. In accordance with the Articles of Association, the Board of Directors is to consist of three to ten members, without deputies. Board members are elected annually by the Annual General Meeting for the period until the close of the next Annual General Meeting.

Chairman of the Board. The responsibility of the Chairman of the Board is to lead and guide the work of the Board and ensure that the work is well organized and conducted efficiently, and that the Board fulfills its obligations. The Chairman monitors operations in dialog with the President and is responsible for ensuring that other Board members receive the information and documentation necessary to maintain a high level of quality in discussions and decisions, and for ensuring that the Board's decisions are executed.

Board Committees. The Board has established three committees from within its ranks without this otherwise impacting the Board's responsibilities and duties. These are the Audit, Finance and Remuneration Committees.

» **Audit Committee.** The Audit Committee represents the Board in matters such as monitoring the processes concerning financial reporting, risk management and

internal control and also assists the Nomination Committee with proposals for the election of auditor.

» **Remuneration Committee.** The Remuneration Committee represents the Board in such matters as remuneration and other employment conditions for the President and other senior executives, management succession and succession planning, and leadership development.

» **Finance Committee.** The Finance Committee acts on behalf of the Board, preparing the strategic issues in relation to financing, evaluating the Group's existing and required financing scope, as well as potential acquisitions and their impact on the Group.

PRESIDENT AND CEO The President and CEO manages the day-to-day administration of Trelleborg. The President is assisted by Group Management comprising presidents of business areas and managers of corporate staff functions.

STAFF FUNCTIONS Trelleborg has a number of staff functions that support the Group and business areas with Group-wide expertise and duties. The sub-staff functions include:

» **Internal Control.** The Group's Internal Control staff function serves as the Group's internal audit function and reports to the Audit Committee and the Group's CFO. The function focuses on developing, enhancing and securing internal control over the Group's financial reporting by proactively concentrating on the internal control environment and by examining the effectiveness of internal control.

» **Sustainability.** Group Communications has coordinating responsibility for sustainability reporting. Reports are presented to the Audit Committee and to the President and CEO. The daily sustainability activities take place in the Sustainability Forum, which is a group comprising representatives from the Group Communications, Legal, Environment, HR, Purchasing and Finance/Treasury staff functions, and the Manufacturing Excellence Program, as well as out in the operational units.

» **Risk management.** The Risk Management staff function is responsible for the Group's Enterprise Risk Management (ERM) that provides a framework for the Group's risk activities. The function reports to the Audit Committee and to the Group's General Counsel. Risk management focuses on evaluating identified risks and consolidating priorities in order to manage risk. Group Treasury is responsible for financial risk management activities.

CORPORATE GOVERNANCE REPORT 2019

Trelleborg is a publicly traded Swedish limited liability company listed on Nasdaq Stockholm Large Cap. Trelleborg applies the Swedish Corporate Governance Code and presents its 2019 Corporate Governance Report in this section. Trelleborg has no deviations to report.

The auditor's review was conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement.

Annual General Meeting 2019. The 2019 Annual General Meeting took place on March 27, 2019, in Trelleborg. At the meeting, 687 shareholders were in attendance, personally or by proxy, representing about 74 percent of votes in Trelleborg. The Chairman of the Board, Hans Biörck, was elected Chairman of the Meeting. All Board members elected by the Annual General Meeting and Group Management were present.

The complete minutes and information on the 2019 Annual General Meeting are available at www.trelleborg.com.

The resolutions passed by the Meeting included the following:

- » Dividend of SEK 4.75 per share for the 2018 fiscal year.
- » Re-election of all Board members: Hans Biörck, Gunilla Fransson, Johan Malmquist, Peter Nilsson, Anne Mette Olesen, Susanne Pahlén Åklundh, Panu Routila and Jan Ståhlberg.

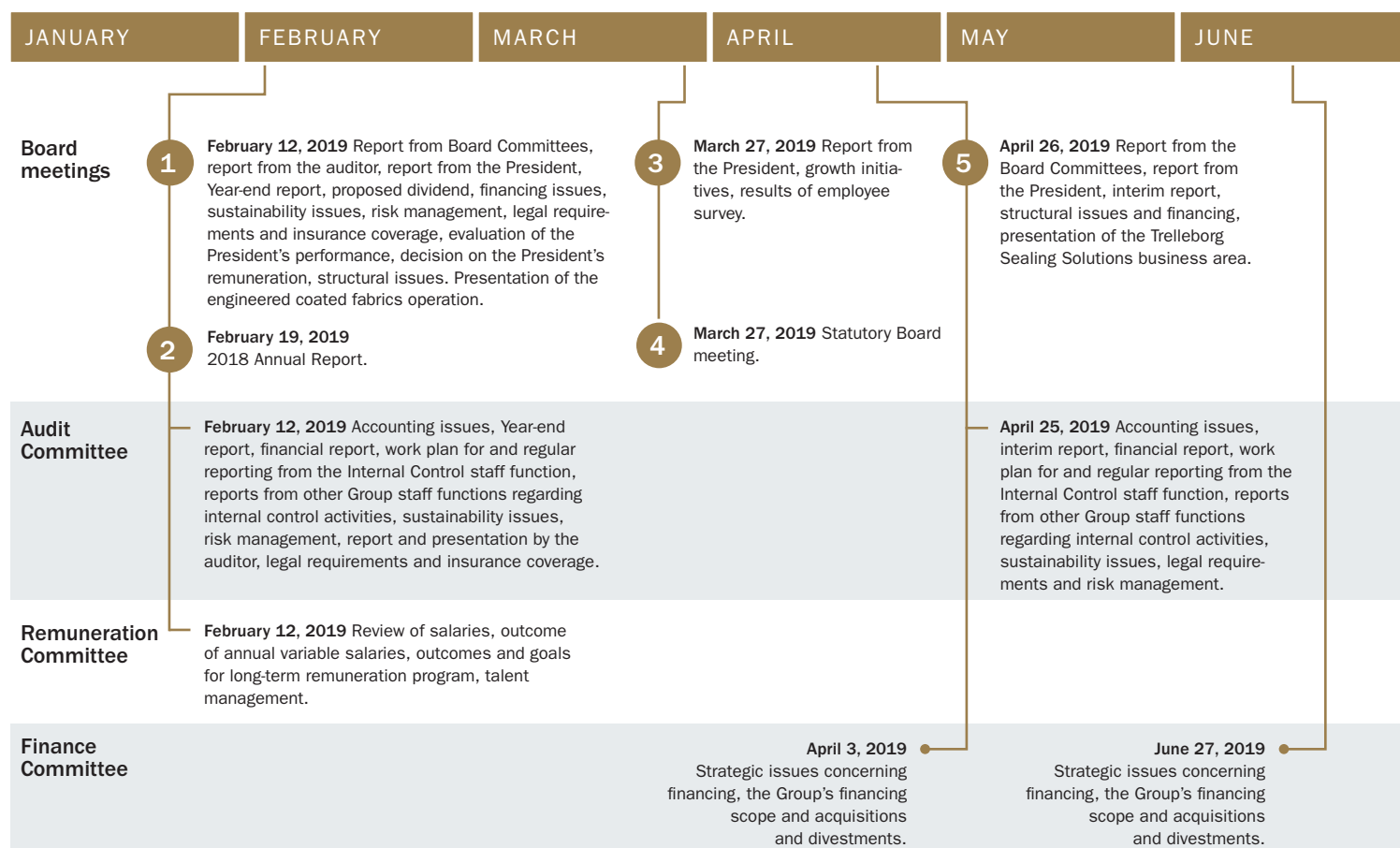
- » Re-election of Hans Biörck as Chairman of the Board.
- » Re-election of Deloitte AB as auditor.
- » Remuneration for the Board members and the auditor.
- » Principles for remuneration and other employment terms for the President and other senior executives.

For information on shareholders and the Trelleborg share, refer to pages 10–13 and www.trelleborg.com.

Trelleborg's 2020 Annual General Meeting will be held on April 23, 2020 in Trelleborg. For more information, refer to page 140.

Nomination Committee for the 2020 Annual General Meeting. As resolved by the 2017 Annual General Meeting until it decides otherwise, the Chairman of the Board is to contact representatives of Trelleborg's five major shareholders, not later than by the end of August, to ask that they appoint one member to the Nomination Committee.

WORK OF THE BOARD OF DIRECTORS IN 2019



The Nomination Committee also included the Chairman of the Board as a co-opted member.

No payment is made to members of the Nomination Committee.

The Nomination Committee for 2020 held three minuted meetings and maintained continuous contact up to and including February 20, 2020. As a basis for the Nomination Committee's work, the Chairman of the Board presented a report on the work of the Board, which included an internal evaluation of the work and function of the Board, as well as holding meetings with the President and one Board member.

The Nomination Committee's guidelines for the selection of candidates to be nominated to the Board specify that they shall possess knowledge and experience relevant to Trelleborg's operations. The Diversity Policy applied for the Group's Board of Directors is item 4.1 in the Swedish Corporate Governance Code. The objective is that the Board of Directors, considering Trelleborg's operations, stage of development and conditions in general, is to have a suitable composition, characterized by diversity and breadth as regards the expertise, experience and background of the members elected by the Annual General Meeting, and that an even gender balance is to be sought.

The Nomination Committee took into consideration the Diversity Policy when preparing its proposal for the election of Board members ahead of the 2019 Annual General Meeting, which resulted in the Board composition presented on pages 66–67.

The Nomination Committee's proposals to the 2020 Annual General Meeting will be published in the official notification and on www.trelleborg.com.

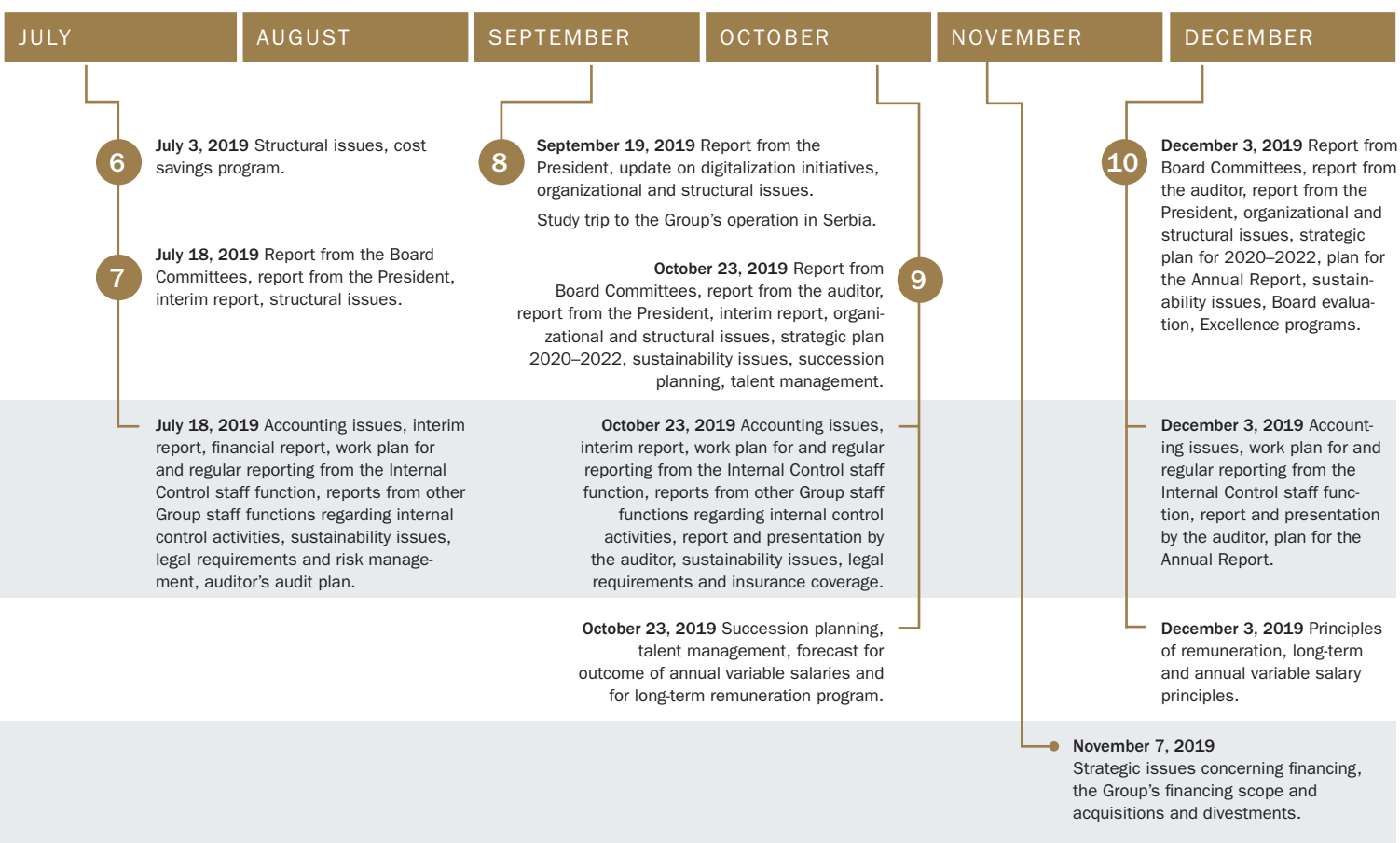
Board of Directors 2019. In 2019, Trelleborg's Board of Directors comprised eight members elected by the Annual General Meeting, including the President and CEO. Employees elect three representatives and one deputy to the Board of Directors. The Group's CFO attends the Board meetings as does the General Counsel, who serves as the Board's secretary. Other members of Group Management participate in Board meetings when necessary.

For further information on Board members, refer to pages 66–67 and Note 10, pages 89–90.

Work of the Board of Directors. The Board held ten meetings during the year, including one statutory Board meeting. The Board of Directors is responsible for establishing Trelleborg's overriding targets, developing and following up the overall strategy, deciding on major acquisitions, divestments and investments and continuously monitoring operations. The work of the Board follows an annual plan. Recurring issues at Board meetings include reports from the Board Committees, reports from the President, interim reports and structural issues.

Board decisions were unanimous and no conflicting opinions were recorded on any issue decided during the year.

In addition to the Board meetings, a study trip



was undertaken to the Group's tire operation in Serbia.

The President presents a report on the Group's performance at scheduled Board meetings. The Board conducts reviews with the auditor when audit reports are to be considered. The auditor also has meetings with the Board of Directors without the presence of Group Management.

The Audit Committee briefs the Board of Directors on work related to the whistleblower system.

Trelleborg's Board complies with the Swedish Corporate Governance Code's requirements stipulating that the majority of the Board members elected by the General Meeting must be independent in relation to Trelleborg and company management, and that at least two of these are also to be independent in relation to Trelleborg's major shareholders.

The Chairman of the Board is responsible for evaluating work on the Board and toward the management. In 2019, a survey was conducted and all members were interviewed by the Chairman. The results from these occasions were presented and discussed by the Board and Nomination Committee, forming the basis for evaluating the size and composition of the Board. The evaluation focused on the Board activities in general and, to a certain degree, on the contributions made by individual Board members, including the Chairman and President. Board evaluations carried out in previous years have distinctly influenced the work of the Board and committees.

Board Committees. For the past number of years, the Board has established three committees from within its ranks; the Audit, Remuneration and Finance Committees.

Audit Committee. Recurring issues at Audit Committee meetings are accounting issues, interim reports, financial reports, work plans for and regular reporting from the Internal Control staff function, sustainability issues, risk management, and reports from the auditor.

The Audit Committee is to also represent the Board by keeping itself informed in matters relating to the audit of the annual report and the consolidated financial statements, reviewing and monitoring the auditor's impartiality and independence, and providing assistance when preparing proposals regarding the appointment of auditor for approval by the Annual General Meeting. The Audit Committee is also to represent the Board by monitoring the Group's work in relation to sustainability and ERM issues and day-to-day financing operations, and annually reviews and makes proposals for changes to the Treasury Policy.

Remuneration Committee. Recurring issues at Remuneration Committee meetings are remuneration, succession planning and leadership development issues.

Finance Committee. Recurring issues at Finance Committee meetings are the Group's financing, financing scope and acquisitions.

Refer to the illustration on pages 60–61.

Auditor 2019. The Annual General Meeting resolved that the auditing firm Deloitte AB shall be Trelleborg's auditor for a period of one year.

See page 63 for further information.

Group Management 2019. In December 2019, Trelleborg announced a new organization from 2020. Five business areas became three and one reporting segment was formed. Trelleborg Coated Systems and Trelleborg Offshore & Construction ceased to operate as business areas. The Business Area President of

Trelleborg Coated Systems left his position at the end of the year. The President and CEO was head of Trelleborg Offshore & Construction. The CFO assumed overall responsibility for the Businesses Under Development reporting segment. Following these changes at the end of 2019, Group Management comprised eight people. For additional information about Group Management, refer to pages 68–69.

In 2019, Group Management held five meetings and ongoing contacts and reconciliations. These meetings focused on the Group's strategic and operational performance and budget follow-up.

Trelleborg's operations are organized into three business areas and one reporting segment. They consist of about 20 business units, which in turn comprise approximately 40 product areas. The organization is based on the principle of decentralized responsibility and authority.

Each legal unit, which does not necessarily reflect the operating units, has its own Board of Directors that focuses on regulatory compliance, among other aspects.

Sustainability reporting. Trelleborg has prepared its sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines. The Sustainability Report includes the statutory sustainability statement, which is prepared as a separate report to the annual report in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act. The scope of the Sustainability Report and the statutory sustainability statement is outlined in the index overview for the GRI Standards on page 136.

Internal culture. Trelleborg applies an approach involving far-reaching decentralized responsibility to drive and implement the Group's strategy. The Group's operating activities are pursued through independent operational units with responsibility for profit, balance sheet and cash flows. Local managers and their coworkers make the commercial decisions, ensure that these are handled correctly and with a balanced approach to risk-taking. As a means of support, the individual business areas regularly follow up the results of their business units' operations, similar to the manner in which Group Management follows up the business areas as part of a well established work process.

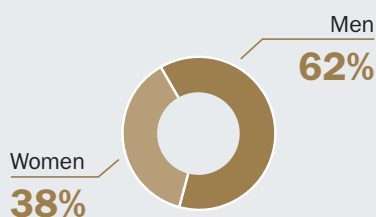
Core values. Trelleborg is a global Group characterized by individual and cultural diversity and shared value systems are therefore particularly important. The core values are long-term commitments, which, when coupled with Trelleborg's business concept, goals and strategies, guide the Group in making decisions and conducting business. The core values are:

- » Customer focus: Working in partnership, we aim to add value for our customers, as well as for Trelleborg.
- » Innovation: We promote an innovative culture and attitude. Innovation is a key driver for our growth.
- » Responsibility: We all share responsibility for our company as a whole and for its results.
- » Performance: We shall perform better than our competitors.

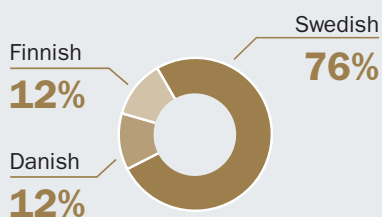
Diversity. Trelleborg works to achieve a balanced mix of ethnicities, ages and genders in its operations. The Group's Diversity Policy recognizes that diversity is a strength for the Group. Enhanced diversity and inclusion has the potential to further drive Trelleborg's performance and results, both at team level and individually. Refer to pages 46–47 and 135.

MEMBERS OF BOARD COMMITTEES AT DECEMBER 31, 2019

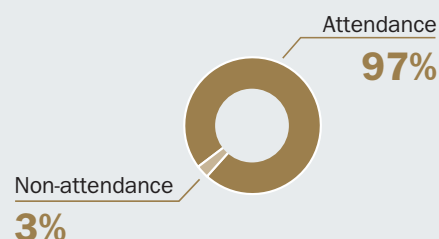
AUDIT COMMITTEE	REMUNERATION COMMITTEE	FINANCE COMMITTEE
Gunilla Fransson, Chairman	Hans Biörck, Chairman	Hans Biörck, Chairman
Hans Biörck	Johan Malmquist	Johan Malmquist
Susanne Pahlén Åklundh	Anne Mette Olesen	Jan Ståhlberg
Panu Routila		

GENDER DISTRIBUTION IN THE BOARD OF DIRECTORS ¹

NATIONALITY



BOARD MEETING ATTENDANCE



¹ Board members elected by the General Meeting, including the President and CEO.

NOMINATION COMMITTEE FOR THE 2020 ANNUAL GENERAL MEETING

Name/Representing	Share of votes, % Aug 31, 2019	Share of votes, % Dec 31, 2019
Ragnar Lindqvist, Dunker Interests	54.10	54.10
Henrik Didner, Didner & Gerge Funds	3.52	2.29
Peter Lagerlöf, Lannebo Funds	2.01	1.84
Anna Sundberg, Handelsbanken Funds	1.78	1.96
Johan Sjöström, Second Swedish National Pension Fund	1.15	1.15
Total	62.56	61.34

AUDITOR'S REMUNERATION 2019

SEK M	2019	2018
Deloitte		
Audit assignment	24	24
Audit activities other than audit assignment	1	1
Tax consultancy services	0	0
Other services	0	0
Other auditors		
Audit assignment	5	3
Audit activities other than audit assignment	0	0
Tax consultancy services	0	0
Other services	0	0
Total	30	28

AUDITORS 2019

**Hans Warén****Authorized Public Accountant, Auditor in Charge**

Auditor of the Trelleborg Group since the 2017 Annual General Meeting.

Partner of Deloitte AB since 1998.

Qualifications: Graduate in business administration.

Authorized Public Accountant since 1992.

Other assignments: Axfood, Castellum, Gunnebo and Lindab.

Born: 1964.

**Maria Ekelund****Authorized Public Accountant**

Auditor of the Trelleborg Group since the 2017 Annual General Meeting.

Partner of Deloitte AB since 2008.

Qualifications: Masters degree in business administration.

Authorized Public Accountant since 2002.

Other assignments: Atos Medical, CellaVision, Ikano Bostad and Xylem.

Born: 1970.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is included as a part of the overall internal control at Trelleborg, and constitutes a central component of Trelleborg's corporate governance. The key goals are that internal control is appropriate and effective, provides reliable reports and complies with laws and regulations.

Trelleborg's Board of Directors has concluded that the current Internal Control set up is sufficient from a corporate governance perspective and that there is no need for an internal audit function.

The starting point for the internal control process is the regulatory framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). According to COSO, the review and assessment are conducted in five areas where the control environment creates discipline and provides structure for the other four areas: risk assessment, control structures, information and communication, and monitoring.

Control environment. The control environment provides the basis for the internal control. One important aspect is that decision making, authority and responsibility are clearly defined and communicated between different levels within Trelleborg and that policy instruments, in the form of policies, manuals and recommendations, exist (refer to page 59 for a list of external and internal policy instruments) and are observed.

The Board of Directors bears overall responsibility for financial reporting where the Audit Committee assists the Board by monitoring, for example, the efficiency of Trelleborg's internal control, internal audit and risk management.

The responsibility for maintaining an effective control environment and the day-to-day work involving internal control is delegated to the President.

The Group's Internal Control staff function serves as the Group's internal audit function and reports to the Audit Committee and the Group's CFO. The function focuses on developing, enhancing and securing internal control over the Group's financial reporting by proactively concentrating on the internal control environment and by examining the effectiveness of internal control.

Risk assessment. Risk assessment aims to identify and evaluate the most significant risks, including risk of fraud and risks in connection with significant changes, that affect internal control within the Group.

The assessment results in control targets that ensure that the fundamental demands placed on external financial reporting are fulfilled and comprise the basis for how risks are to be managed through various control structures.

The risk assessment is updated on an annual basis under the direction of the Internal Control staff function and the results are reported to the Audit Committee.

Control activities. The most significant risks are managed through control structures in the Group. Management may entail that these risks are accepted, reduced or eliminated.

The control structures aim to ensure efficiency in the Group's processes and good internal control and are based on minimum requirements for good internal control in defined processes. Refer to the illustration on page 65.

Information and communication. The internal policy instruments are available to all relevant employees on Trelleborg's intranet and are generally provided through training.

Special campaigns are conducted covering, for example, the Group's whistleblower initiative. All relevant employees annually confirm in writing their knowledge of, and compliance with, the Group's internal policy instruments.

The Group's CFO and the Head of the Internal Control staff function report the results of their work on internal control as a standing item on the agenda of the Audit Committee's meetings. The results of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures are continuously reported to the Board. The minutes of the Audit Committee meetings are presented to the Board and the Chairman of the Audit Committee reports on its work.

External financial reporting is performed in accordance with relevant external and internal policy instruments.

Monitoring. Monitoring to ensure the effectiveness of internal control is conducted by the Board, the Audit Committee, the President, Group Management, the Internal Control staff function, Group Finance, Group Treasury and Group Tax as well as the Group's companies and business areas.

Monitoring includes the follow-up of monthly financial reports in relation to targets, quarterly reports with results from self-assessments in the Group's companies and business areas, and results from internal audits. Monitoring also encompasses following up observations reported by Trelleborg's auditor.

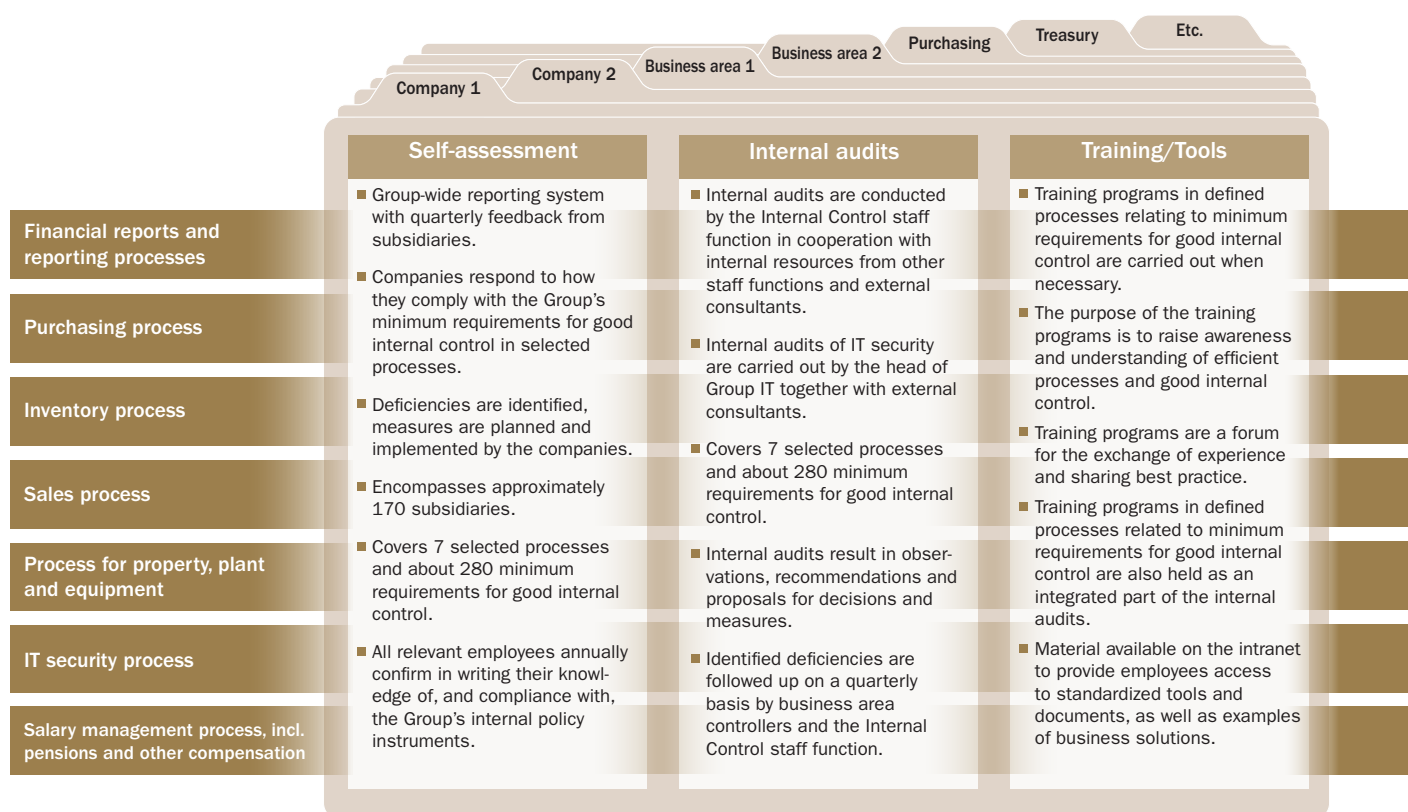
The Internal Control staff function works in accordance with an annual plan that is approved by the Audit Committee. The plan is based on the risk analysis and encompasses prioritized companies, business areas and processes within the Group, as well as work programs and budgets.

Activities in 2019. In 2019, the Internal Control staff function conducted 54 internal audits in 15 countries, of which 13 were IT security audits. The emphasis was on Europe and the US. Most of the internal audits were conducted by the Internal Control staff function in cooperation with internal resources from other staff functions with specialist competence in such areas as purchasing, finance and legal affairs, or jointly with controllers from various business areas. Internal audits of IT security were carried out by external IT consultants together with the Group IT staff function. In 2019, the Internal Control

staff function worked on a broad front with reviews of all processes.

Activities in focus in 2020. The number of internal audits will generally remain at the same level as 2018 and 2019. Geographically speaking, the Internal Control staff function will primarily devote a greater focus to Asia and Europe. In 2020, the Internal Control staff function will continue to work broadly with reviews of all processes. A small number of internal audits are planned with the support of record analysis.

INTERNAL CONTROL STRUCTURE OF THE TRELLEBORG GROUP



THE FOLLOWING INFORMATION IS AVAILABLE AT WWW.TRELLEBORG.COM:

- » The Articles of Association
- » The Code of Conduct
- » Corporate Governance Reports from 2004 and onward
- » Information regarding Trelleborg's Annual General Meetings from 2004 and onward (notifications, minutes, President's speeches, press releases)
- » Information regarding the Nomination Committee
- » Information regarding the principles for remuneration of senior executives
- » Information for the 2020 Annual General Meeting



A summary of Trelleborg's 115-year history can be found on www.trelleborg.com.



	Hans Biörck	Gunilla Fransson	Johan Malmquist	Peter Nilsson	Anne Mette Olesen	Susanne Pahlén Åklundh
	Chairman	Member	Member	Member	Member	Member
Year elected	2009, Chairman 2018	2016	2016	2006	2015	2016
Born	1951	1960	1961	1966	1964	1960
Nationality	Swedish	Swedish	Swedish	Swedish	Danish	Swedish
Qualifications	Graduate in business administration	M.Sc. Eng. and Licentiate of Technology	Graduate in business administration	M.Sc. Eng.	MBA and M.Sc. Eng.	M.Sc. Eng.
Other assignments	Chairman of the Board of Skanska AB. Board member of Svenska Handelsbanken AB	Chairman of the Board of Net Insight AB. Board member of Dunker Interests, Eitel AB, Nederman AB, Enea AB and Permobil AB	Chairman of the Board of Arjo AB and Getinge AB. Board member of Dunker Interests, Elekta AB, Mölnlycke Health Care AB, Stena Adactum AB and the Chalmers University of Technology Foundation	Chairman of the Board of Cibes Holding AB. Board member of Couplers Holdco AB and the Chamber of Commerce and Industry of Southern Sweden		
Employment and professional experience	Full-time Board member and/or Chairman Formerly CFO of Skanska AB, Autoliv Inc. and Esselte AB	Full-time Board member and/or Chairman Formerly various senior positions at Saab AB and Ericsson AB	Full-time Board member and/or Chairman Formerly President and CEO of Getinge AB and various senior positions at Electrolux AB	President and CEO of Trelleborg AB Formerly Business Area President at Trelleborg and other posts within the Trelleborg Group, as well as management consultant at BSI	Chief Marketing Officer at AAK AB Formerly senior positions at Coloplast A/S, Chr. Hansen A/S and Danisco Ingredients A/S	Executive Vice President at Alfa Laval AB Formerly various management positions at Alfa Laval
Dependence	No	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, the Dunker Interests	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, the Dunker Interests	Yes. Dependent in relation to the company as a result of his position as Trelleborg's President	No	No
Own and related-party holdings 2019	10,000 shares	3,000 shares	5,000 shares	60,572 shares and 250,000 call options (2016) ² and 50,000 call options (2018) ²	2,500 shares	5,000 shares
Shares in related companies	–	–	–	–	–	–
Board meeting attendance	Chairman 10 of 10	Member 10 of 10	Member 10 of 10	Member 10 of 10	Member 9 of 10 ³	Member 10 of 10
Audit Committee attendance	Member 5 of 5	Chairman 5 of 5	–	–	–	Member 5 of 5
Remuneration Committee attendance	Chairman 3 of 3	–	Member 3 of 3	–	Member 3 of 3	–
Finance Committee attendance	Chairman 3 of 3	–	Member 3 of 3	–	–	–
Total reimbursement 2019, SEK 000s ¹	2,090	820	750	–	675	740
Of which Board, SEK 000s	1,750	600	600	–	600	600
Of which Committee, SEK 000s	340	220	150	–	75	140

Board assignments and holdings in Trelleborg as stated above reflect the situation as per December 31, 2019.

¹ Remuneration paid to the Board of Directors for the period April 2019–April 2020. The fees paid to the members of the Board of Directors elected by the Annual General Meeting are approved by the Annual General Meeting based on the proposals of the Nomination Committee. For the 2019 calendar year, remuneration was paid as per Note 10. No consulting fees were paid to the Board members. Remuneration is not paid to executive Board members. Remuneration excludes travel allowances.

² Refer to page 68 for more information about call options.

³ Not present at meeting number 5.



	Panu Routila	Jan Ståhlberg	Jimmy Faltin	Peter Larsson	Lars Pettersson	Ingemar Thörn ⁶
	Member	Member	Employee representative	Employee representative	Employee representative	Deputy employee representative
Year elected	2018	2018	2018	2011	2018	2014
Born	1964	1962	1965	1965	1965	1972
Nationality	Finnish	Swedish	Swedish	Swedish	Swedish	Swedish
Qualifications	M.Sc. in Economics	Graduate in business administration	Training in behavioral science, contract and labor law	Engineer	Cabinetmaker, training in negotiation and in salary system development	Engineer, training in purchasing and logistics
Other assignments	Board member of the East Office of Finnish Industries Oy, Conficap Oy and Teknologi-industri in Finland	Chairman of the Board of Bactiguard Holding AB. Board member of ITB-Med AB	Member of the Trelleborg European Work Council, the Trelleborg Swedish Works Council (LO) and the Negotiating Delegation Technology Agreement IF Metall. Division Chairman IF Metall Norra Västerbotten	Chairman of Unionen Trelleborg AB. Member of Trelleborg European Works Council and Trelleborg Swedish Works Council (PTK)	Member of Unions of the Trelleborg Group (LO)	Deputy Chairman of Unionen Trelleborg AB. Member of Trelleborg Swedish Works Council (PTK)
Employment and professional experience	Full-time Board member and/or Chairman Formerly President and CEO of Konecranes and Ahlström Capital Oy, President of Alteams Oy, and various senior positions at Outokumpu Group and Partek Group	Founder and President of Trill Impact AB Formerly Vice President and Vice Chairman of EQT and various positions in Ovako Steel	Machine operator, appointed by the Unions of the Trelleborg Group (LO)	Plant manager, appointed by the Unions of the Trelleborg Group (PTK)	Machine operator, appointed by the Unions of the Trelleborg Group (LO)	Customer service, appointed by the Unions of the Trelleborg Group (PTK)
Dependence	No	No	–	–	–	–
Own and related-party holdings 2019	–	130,000 shares	–	3,500 shares	–	100 shares
Shares in related companies	–	–	–	–	–	–
Board meeting attendance	Member 9 of 10 ⁴	Member 10 of 10	Employee representative 9 of 10 ⁵	Employee representative 10 of 10	Employee representative 10 of 10	Employee representative 10 of 10
Audit Committee attendance	Member 5 of 5	–	–	–	–	–
Remuneration Committee attendance	–	–	–	–	–	–
Finance Committee attendance	–	Member 3 of 3	–	–	–	–
Total reimbursement 2019, SEK 000s ¹	740	675	–	–	–	–
Of which Board, SEK 000s	600	600	–	–	–	–
Of which Committee, SEK 000s	140	75	–	–	–	–

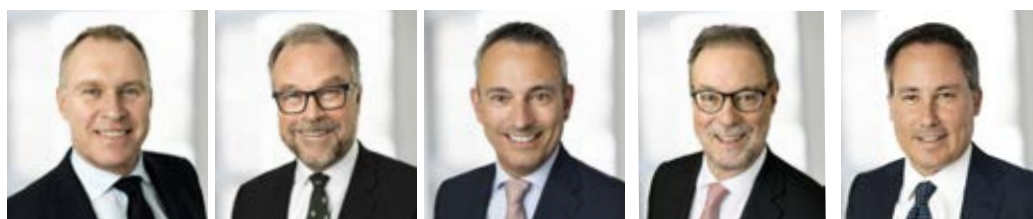
Board assignments and holdings in Trelleborg as stated above reflect the situation as per December 31, 2019.

¹ Remuneration paid to the Board of Directors for the period April 2019–April 2020. The fees paid to the members of the Board of Directors elected by the Annual General Meeting are approved by the Annual General Meeting based on the proposals of the Nomination Committee. For the 2019 calendar year, remuneration was paid as per Note 10. No consulting fees were paid to the Board members. Remuneration is not paid to executive Board members. Remuneration excludes travel allowances.

⁴ Not present at meeting number 5.

⁵ Not present at meeting number 2.

⁶ Ingemar Thörn resigned from the Board in December 2019. He was replaced in February 2020 by Maria Eriksson, refer to www.trelleborg.com/en/about-us/corporate-governance/board-of-directors-and-auditors for more information.



	Peter Nilsson	Ulf Berghult	Jean-Paul Mindermann	Peter Hahn	Paolo Pompei
Position	President and CEO	CFO and overall responsible for Businesses Under Development	Business Area President, Trelleborg Industrial Solutions	Business Area President, Trelleborg Sealing Solutions	Business Area President, Trelleborg Wheel Systems
Employed	1995	2012	2011	2001	1999
In current position since	2005	2012	2017	2018	2017
Born	1966	1962	1965	1958	1971
Nationality	Swedish	Swedish	German	US/German	Italian
Qualifications	M.Sc. Eng.	Graduate in business administration	Graduate in business administration	M.Sc. Eng.	B.Sc. in economics, M.Sc. in international trade
Other assignments	Chairman of the Board of Cibes Holding AB. Board member of Couplers Holdco AB, Trelleborg AB and the Chamber of Commerce and Industry of Southern Sweden		President of Contex Holding GmbH and Board member of Herschel Infrared Ltd and Herschel Energy Ltd		
Professional experience	Business Area President at Trelleborg and other posts within the Trelleborg Group, as well as management consultant at BSI	CFO of Dometic Group, Thule Group, Rolls-Royce Marine Systems and controller at the Trelleborg Group	Business Unit President at the Trelleborg Group, President of Premia Group, CEO of Watts Industrial Tires and other senior management functions	Business Unit President at the Trelleborg Group and various senior positions at 4M Technologies, Leybold and Degussa	Business Unit President at the Trelleborg Group
Own and related-party holdings 2019	60,572 shares and 250,000 call options (2016) ¹ and 50,000 call options (2018) ²	15,000 shares and 12,500 call options ²	6,000 shares and 12,500 call options ²	12,500 call options ²	12,500 call options ²
Shares in related companies	–	–	–	–	–

¹ In February 2016, the principal owner – The Henry Dunker Donation Fund & Foundations – offered the President and CEO 250,000 call options in Trelleborg, with a term of five years. Peter Nilsson purchased these call options at a price of SEK 15.20 per call option. Each call option entitles the holder to purchase one Series B share at a call price of SEK 143.16. The Black & Scholes method was used in the valuation of the call options. The principal owner's intention in introducing the program was to encourage the President and CEO's long-term commitment to the company. Trelleborg AB did not participate in the offer and will not be charged with any earnings effect related to the program.

² In November 2018, the principal owner – The Henry Dunker Donation Fund & Foundations – offered the members of Group management 12,500 call options each in Trelleborg, except the President and CEO who was offered 50,000 call options, with a term of five years. The members of Group management purchased these call options at a price of SEK 9.86 per call option. Each call option entitles the holder to purchase one Series B share at a call price of SEK 175.83. The Black & Scholes method was used in the valuation of the call options. The principal owner's intention in introducing the program is to encourage Group management's long-term commitment to the company. Trelleborg AB did not participate in the offer and will not be charged with any earnings effect related to the offer.

In December 2019, Trelleborg announced a new organization from 2020. Five business areas became three and one reporting segment was formed. Trelleborg Coated Systems and Trelleborg Offshore & Construction ceased to operate as business areas. The Business Area President of Trelleborg Coated Systems left his position at the end of the year. The President and CEO was head of Trelleborg Offshore & Construction. The CFO assumed overall responsibility for the Businesses Under Development reporting segment.



	Paolo Astarita	Charlotta Grähs	Patrik Romberg
Position	Senior Vice President, Human Resources	Senior Vice President, General Counsel and Secretary	Senior Vice President, Communications
Employed	2001	2014	2006
In current position since	2015	2014	2011
Born	1959	1971	1966
Nationality	Italian	Swedish	Swedish
Qualifications	Master of Law	Master of Law	MBA and university studies in behavioral science and education
Other assignments			
Professional experience	Vice President Human Resources Trelleborg Wheel Systems and various positions in HR at Pirelli and Manuli Rubber	Group General Counsel at Dometic Group and Senior Corporate Counsel at Husqvarna Group, lawyer at Mannheimer Swartling Advokatbyrå and Hengeler Mueller Rechtsanwälte	Various positions at the Trelleborg Group and Unilever
Own and related-party holdings 2019	2,340 shares and 12,500 call options ²	12,500 call options ²	901 shares and 12,500 call options ²
Shares in related companies	–	–	–

² In November 2018, the principal owner – The Henry Dunker Donation Fund & Foundations – offered the members of Group management 12,500 call options each in Trelleborg, except the President and CEO who was offered 50,000 call options, with a term of five years. The members of Group management purchased these call options at a price of SEK 9.86 per call option. Each call option entitles the holder to purchase one Series B share at a call price of SEK 175.83. The Black & Scholes method was used in the valuation of the call options. The principal owner's intention in introducing the program is to encourage Group management's long-term commitment to the company. Trelleborg AB did not participate in the offer and will not be charged with any earnings effect related to the program.

REMUNERATION OF GROUP MANAGEMENT 2019

SEK 000s		Fixed salary	Annual variable salary	Long-term incentive program ¹	Other benefits	Total	Pension	Total including pension
President	2019	11,108	4,834	1,430	199	17,571	4,921	22,492
	2018	10,867	5,447	6,489	203	23,006	4,771	27,777
Group Management, others (8 persons)	2019	26,595	8,252	2,829	1,762	39,438	9,411	48,849
	2018	25,134	11,499	12,253	1,725	50,611	9,478	60,089
Total	2019	37,703	13,086	4,259	1,961	57,009	14,332	71,341
Total	2018	36,001	16,946	18,742	1,928	73,617	14,249	87,866

¹ Expensed in 2019. Payment is made in the first quarter, 2020 to 2022, on condition that the individual is employed in the Group on December 31 of the preceding year.

PRINCIPLES FOR REMUNERATION

The following are the principles for remuneration of senior executives adopted by the Annual General Meeting:

- » Trelleborg will offer market-based terms of employment that enable the company to recruit, develop and retain senior executives.
- » The remuneration structure is to comprise fixed and variable salary, pension and other remuneration, which together form the individual's total remuneration package.
- » Trelleborg continuously gathers and evaluates information on market-based remuneration levels for relevant industries and markets.

- » Principles for remuneration may vary depending on local conditions.
- » The remuneration structure will be based on such factors as position, expertise, experience and performance.

Senior executives comprise the President and other members of Group Management. The principles are supplemented by a policy for benefits for senior executives as well as a global Remuneration Policy covering all managers and senior salaried employees. In 2019, total remuneration of Group Management amounted to SEK 57,009,000 (73,617,000), excluding pension premiums, and SEK 71,341,000 (87,866,000), including pension premiums.

For additional information concerning remuneration, refer to Note 10, pages 89–90.

FINANCIAL INFORMATION

Overall results for 2019





O-Rings, rotary seals and hydraulic seals in the processing industry are compatible with harsh environments processes and cleaning regimes. The area also includes rubber elements that minimize noise and damp vibrations in machinery as well as expansion joints that absorb pressure surges, movements and vibrations in pipe systems. In addition, there are hoses that are good resistance to abrasion, piercing, impact, flexing and microbiological attacks.

COMMENTS ON THE CONSOLIDATED INCOME STATEMENTS

The Trelleborg Group's net sales increased during the year by 8 percent compared with 2018 due to acquisitions finalized and the positive impact from exchange rates. The market trend varied between the segments served by the Group. Developments in the aerospace industry segment and oil & gas were positive during the year, while general industry noted an overall stable or slightly negative market. The demand trend for tires in both the agricultural sector as well as tires for material handling and construction vehicles was negative. Group EBIT, excluding items affecting comparability, was at a similar level to the preceding year. Organizational changes were made at the end of 2019 with the aim of focusing the Group on selected segments, and at the same time highlighting areas where improvement in profitability must occur. In the new organization, Trelleborg's core businesses comprise three business areas compared with five previously. In addition, a new reporting segment was created, Businesses Under Development. In conjunction with this organizational change, an impairment of capital employed was carried out in Businesses Under Development in the amount of SEK 3,198 M.

Net sales

Consolidated net sales increased 8 percent during the year to SEK 36,588 M (34,005). The organic sales increase was SEK 28 M, corresponding to about 0 percent. The effects of structural changes amounted to about 3 percent, or SEK 1,072 M. Exchange rate effects upon translation of sales in 2018 to the exchange rates applying for 2019 amounted to approximately SEK 1,483 M, an increase of approximately 5 percent. The organic sales trend for the year was positive for the Trelleborg Industrial Solutions business area, while sales for Trelleborg Sealing Solutions were on a par with the preceding year. Organic sales growth for Trelleborg Wheel Systems was negative. The organic sales trend for the Businesses Under Development reporting segment was positive.

The distribution of consolidated net sales between various market segments was relatively constant compared with the preceding year. The share of consolidated net sales attributable to capital-intensive industry amounted to 53 percent (55), with sales related to oil & gas and the aerospace industry increased while sales in agriculture and transportation equipment declined. The portion related to general industry was 36 percent (34) and the portion attributable to the light vehicles market segment amounted to 11 percent (11).

The Trelleborg Industrial Solutions business area conducts operations in several of the Group's market segments. Organic sales for the year rose SEK 342 M or 4 percent year-on-year. Sales were unchanged in Europe and North America, while significant growth was noted in Asia. Most market segments reported positive organic sales. Deliveries of marine and port solutions stood out because of their strong trend in the second half of the year. Structural growth contributed 4 percent to the sales increase at the same time as changed exchange rates from the translation of subsidiaries had a positive impact of about 4 percent on sales.

For the Trelleborg Sealing Solutions business area, the increase in organic sales was SEK 44 M or approximately 0 percent. Sales to Europe and Asia were negative for the year, but this was fully offset by healthy deliveries to North America. The strongest organic sales growth was noted in deliveries to the aerospace industry, while sales to general industry and the automotive industry declined. The area of healthcare & medical grew during the year and accounted for approximately 10 percent of the business area's sales. Structural growth contributed 5 percent to the sales increase and changed exchange rates from the translation of subsidiaries had a positive impact of about 5 percent on sales.

For the Trelleborg Wheel Systems business area, organic sales declined SEK 391 M or 4 percent compared with the preceding year. The organic sales trends for tires for agricultural machinery, material handling vehicles and construction machinery were all negative, driven by a weak second half of the year. The intensifying trade conflicts during the year had a negative impact on the business climate and contributed to increased uncertainty and lower order intake. Structural growth contributed 1 percent to the sales trend. Changed exchange rates from the translation of subsidiaries had a positive impact of about 4 percent on sales.

For the Businesses Under Development reporting segment, the organic sales increase amounted to SEK 25 M or approximately 1 percent. Offshore oil & gas had a very positive sales increase in the second half of the year and this fully explains the organic improvement. Other businesses under development, that is, printing blankets and specialty molded components, noted a negative sales trend, which accelerated during the second half of the year. The structural growth was marginal and changed exchange rates from the translation of subsidiaries had a positive impact of about 3 percent on sales.

Net sales per market

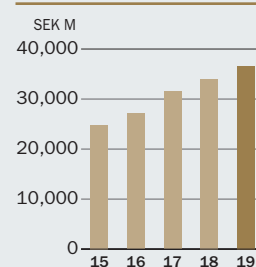
Organic sales for the Group's core businesses were in line with the preceding year. In Western Europe, organic sales decreased by 1 percent compared with the preceding year. The increase was generally somewhat negative in the Group's key markets of Germany, the UK, Sweden and Italy. France reported an increase in sales. The trend in the Czech Republic and Poland was negative, while a sales increase was noted in Russia. In total, for the Rest of Europe, sales declined by 2 percent. Organic sales in the Group's largest market, the US, were in line with the preceding year while sales in the Canadian market increased by 2 percent. Sales in Brazil were on a par with the preceding year, while the performance in Mexico was positive, up 7 percent. In total for South and Central America, the organic sales increase was 12 percent. In Asia and other markets, organic sales increased by 2 percent compared with the preceding year, with the most important market China increasing by 1 percent.

For the Group as a whole, Western Europe accounted for 47 percent (48) of consolidated sales. In the Rest of Europe, the share was 9 percent (10). The share in North America was 24 percent (22). South and Central America accounted for 4 percent (4), while the combined share for the markets in Asia and the Rest of the world was 16 percent (16).

NET SALES BY BUSINESS AREA

SEK M	2019	2018	Organic change, %	Structural change, %	Exchange rate change, %	Total change, %
Trelleborg Industrial Solutions	10,885	9,716	4	4	4	12
Trelleborg Sealing Solutions	12,142	11,049	0	5	5	10
Trelleborg Wheel Systems	9,628	9,492	-4	1	4	1
Elimination	-203	-196				
Core businesses	32,452	30,061	0	4	4	8
Businesses Under Development	4,283	4,100	1	0	3	4
Elimination	-147	-156				
Group	36,588	34,005	0	3	5	8

NET SALES



CONSOLIDATED INCOME STATEMENTS

SEK M	Note	2019	2018
Net sales	2	36,588	34,005
Cost of goods sold		-24,870	-23,048
Gross profit		11,718	10,957
Selling expenses		-3,202	-2,669
Administrative expenses		-3,120	-3,361
R&D costs		-617	-565
Other operating income	6	448	787
Other operating expenses	6	-573	-458
Share of profit or loss in associated companies	12	4	3
EBIT, excluding items affecting comparability		4,658	4,694
Items affecting comparability	5	-3,696	-176
EBIT	4, 7, 10	962	4,518
Financial income	8	78	60
Financial expenses	8	-459	-342
Profit before tax		581	4,236
Tax	9	-780	-1,046
Net profit/loss		-199	3,190
– shareholders of the Parent Company		-199	3,190
– non-controlling interests		0	–

EARNINGS PER SHARE ¹, SEK

Group, excluding items affecting comparability ²	11.89	12.34
Group, total	-0.73	11.77

¹ There were no dilutive effects.

² Earnings per share have been adjusted for items affecting comparability after tax. The key figure was also adjusted for costs attributable to a tax reform in the US.

NUMBER OF SHARES, DIVIDEND

On the balance sheet date	271,071,783	271,071,783
Average	271,071,783	271,071,783
Dividend, SEK ³	4.75	4.75

³ As proposed by the Board of Directors.

STATEMENTS OF COMPREHENSIVE INCOME

SEK M	2019	2018
Net profit/loss	-199	3,190
Other comprehensive income		
Items that will not be reclassified to the income statement		
Reassessment of net pension obligation	-151	49
Income tax relating to components of other comprehensive income	32	-9
	-119	40
Items that may be reclassified to the income statement		
Cash-flow hedging ⁴	-98	15
Hedging of net investment	-390	-620
Translation differences	1,240	1,393
Income tax relating to components of other comprehensive income	77	120
	829	908
Other comprehensive income, net of tax	710	948
Total comprehensive income	511	4,138
<i>Total comprehensive income attributable to:</i>		
Shareholders of the Parent Company	511	4,138

⁴ See also Note 28.

NET SALES PER GEOGRAPHIC MARKET

SEK M	2019		2018	
	Net sales	Share of total sales, %	Net sales	Share of total sales, %
Western Europe	17,105	47	16,349	48
Rest of Europe	3,348	9	3,318	10
North America	8,890	24	7,680	22
South and Central America	1,353	4	1,315	4
Asia and Rest of the world	5,892	16	5,343	16
Group	36,588	100	34,005	100

ORGANIC GROWTH

	Organic growth 2019, %	Organic growth 2018, %
Western Europe	0	4
Rest of Europe	-2	-3
North America	1	3
South and Central America	-4	21
Asia and Rest of the world	2	0
Group	0	3

EBITA and EBIT

Consolidated EBITA, excluding items affecting comparability, was at a similar level to the preceding year and amounted to SEK 5,020 M (5,003). The EBITA margin was 13.7 percent (14.7). Amortization and impairment of intangible assets, excluding items affecting comparability, increased during the year and amounted to an expense of SEK 362 M (expense: 309).

Consolidated EBIT, excluding items affecting comparability, amounted to SEK 4,658 M (4,694), down 1 percent. The earnings trend varied within the Group. The Trelleborg Industrial Solutions and Trelleborg Sealing Solutions business areas performed positively while weaker demand for tires in the agricultural sector and tires for material handling vehicles and construction vehicles had a negative impact on Trelleborg Wheel Systems. Earnings for the Businesses Under Development reporting segment were on the par with the preceding year. Acquisitions finalized made a positive contribution to the Group's earnings generation. The efficiency enhancement efforts that have been ongoing for many years via the Group's Excellence programs in manufacturing, purchasing, supply chain and sales continued during the year. Both implemented and ongoing action programs continued to generate positive effects in the form of more efficient structures and lower costs. The impact of exchange rate effects – the translation of the earnings of foreign subsidiaries in 2018 to the exchange rate applying in 2019 – amounted to SEK 168 M, with the largest impact from the translation of subsidiaries with financial statements denominated in USD and EUR. The EBIT margin was 12.7 percent (13.8).

EBIT SPECIFICATION

SEK M	2019	2018
<i>Excluding items affecting comparability:</i>		
EBITDA	6,605	5,977
Depreciation/impairment of tangible assets	-1,160	-974
Depreciation of right-of-use assets	-425	-
EBITA	5,020	5,003
Amortization/impairment of intangible assets	-362	-309
EBIT	4,658	4,694
Items affecting comparability	-3,696	-176
EBIT	962	4,518

EBIT, EXCLUDING ITEMS AFFECTING COMPARABILITY

SEK M	2019	2018
Trelleborg Industrial Solutions	1,215	994
Trelleborg Sealing Solutions	2,729	2,559
Trelleborg Wheel Systems	913	1,255
Group items	-229	-143
Core businesses	4,628	4,665
Businesses Under Development	30	29
Group	4,658	4,694

EBIT and the EBIT margin for the Trelleborg Industrial Solutions business area increased year on year, primarily as a result of improved productivity and completed acquisitions. Exchange rate effects from the translation of foreign subsidiaries had a positive effect on EBIT of SEK 32 M compared with 2018. The EBIT margin rose to 11.2 percent (10.2).

EBIT within Trelleborg Sealing Solutions rose, primarily impacted by positive contributions from acquisitions. The EBIT margin was maintained at a high level, despite a certain impact from implemented acquisitions with lower margins, and amounted to 22.5 percent (23.2). Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 117 M on EBIT compared with 2018.

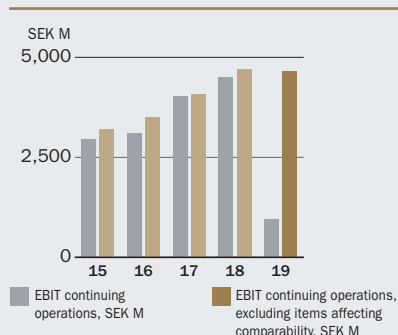
EBIT for Trelleborg Wheel Systems decreased significantly during the year, mainly due to poorer market conditions. EBIT margin declined to 9.5 percent (13.2). Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 18 M on EBIT compared with 2018.

For the Businesses Under Development reporting segment, EBIT was at a similar level as in the preceding year. The EBIT margin was 0.7 percent (0.7). Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 2 M on EBIT compared with 2018.

Items affecting comparability

Items affecting comparability totaled negative SEK 3,696 M (neg: 176). 2019 includes restructuring costs of SEK 498 M and impairment of capital employed connected to the Businesses Under Development reporting segment of SEK 3,198 M. The impairment is the result of the assets' estimated future earnings trend, and should also be viewed in the context of the projected market value. The largest restructuring project in 2019 relates primarily to the action program that was launched in the second half of the year to address an anticipated slowdown in demand for parts of the Group, in addition to a project for optimizing the production capacity for the manufacture of printing blankets in France. In 2018, items affecting comparability were in their entirety attributable to restructuring costs.

EBIT



Earnings, Group

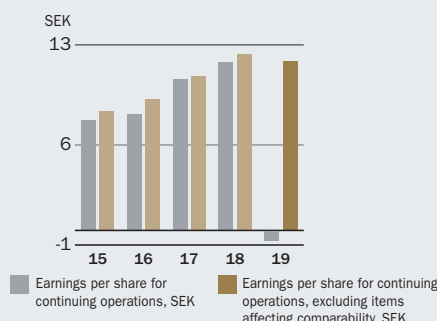
EBIT for Group including items affecting comparability amounted to SEK 962 M (4,518), down 79 percent. The Group's financial income and expenses amounted to a net expense of SEK 381 M (expense: 282). Net financial items in relation to net debt amounted to 2.3 percent (2.7), excluding the effects of leases and pension liabilities. Profit before tax totaled SEK 581 M (4,236). The tax cost for the year totaled SEK 780 M (cost: 1,046). The tax rate for the Group, excluding items affecting comparability, was 25 percent (24). Earnings per share were negative SEK 0.73 (pos: 11.77), heavily influenced by impairments in the Businesses Under Development reporting segment. Excluding items affecting comparability, earnings per share were SEK 11.89 (12.34).

Significant events after the close of the period

Trelleborg signed an agreement and finalized the divestment of an operation in France. The operation was included in Trelleborg's Businesses Under Development reporting segment and is a part of the printing blankets operation. It develops and manufactures rubber-covered rollers as well as rubber belts. The buyer is the Belgian Hannecard Group.

The divested operation had annual sales of approximately SEK 70 M in 2019. The transaction is assessed as having only a minor impact on the Group's net profit. The operation was deconsolidated as of January 7, 2020.

EARNINGS PER SHARE



KEY FIGURES PER QUARTER

NET SALES

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2019	2018	2019	2018	2019	2018	2019	2018
Trelleborg Industrial Solutions	2,628	2,382	2,740	2,432	2,722	2,378	2,795	2,524
Trelleborg Sealing Solutions	3,118	2,800	3,090	2,840	2,982	2,787	2,952	2,622
Trelleborg Wheel Systems	2,723	2,449	2,536	2,529	2,188	2,243	2,181	2,271
Elimination	-54	-51	-52	-51	-50	-51	-47	-43
Core businesses	8,415	7,580	8,314	7,750	7,842	7,357	7,881	7,374
Businesses Under Development	1,007	1,034	1,086	1,078	1,019	976	1,171	1,012
Elimination	-41	-37	-39	-42	-33	-33	-34	-44
Group	9,381	8,577	9,361	8,786	8,828	8,300	9,018	8,342

EBIT, EXCLUDING ITEMS AFFECTING COMPARABILITY

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2019	2018	2019	2018	2019	2018	2019	2018
Trelleborg Industrial Solutions	284	252	327	267	289	223	315	252
Trelleborg Sealing Solutions	724	684	711	693	668	647	626	535
Trelleborg Wheel Systems	349	364	319	371	148	273	97	247
Group items	-60	-50	-47	-74	-60	0	-62	-19
Core businesses	1,297	1,250	1,310	1,257	1,045	1,143	976	1,015
Businesses Under Development	-2	41	11	36	-9	-10	30	-38
Group	1,295	1,291	1,321	1,293	1,036	1,133	1,006	977

COMMENTS ON THE CONSOLIDATED BALANCE SHEETS

CAPITAL EMPLOYED ¹

The Group's total capital employed was SEK 44,709 M (41,118), representing an increase of SEK 3,591 M attributable to:

Opening balance, capital employed, SEK M	41,118
IFRS 16 Right-of-use assets	2,239
Company acquisitions	3,119
Divested operations	–
Change in working capital	63
Net change in non-current assets	–3,010
Change in participations in joint ventures/associated companies	24
Exchange rate effects upon translation of foreign subsidiaries	1,156
Change in capital employed, 2019	3,591
Closing balance, capital employed, SEK M	44,709

¹ The comparative figures for capital employed have been adjusted due to the reclassification of the pension liability from capital employed to net debt. In addition, capital employed for 2019 was affected by the recognition of leases in accordance with IFRS 16.

Capital employed at January 1 was impacted in the amount of SEK 2,239 M connected to the introduction of IFRS 16 Leases. During the year, acquired operations accounted for an increase in capital employed of SEK 3 119 M, of which SEK 2,577 M pertained to goodwill and other intangible assets. For a summary of acquisitions for the year, see the table on page 35 and Note 14.

Changes in working capital excluding acquisitions amounted to SEK 63 M. Property, plant and equipment and intangible assets, excluding the effect of acquired units, declined by SEK 3,010 M. Gross capital expenditure amounted to SEK 1,998 M (1,943). Investments for the year are distributed as follows: SEK 1,632 M (1,822) in property, plant and equipment, SEK 201 M (–) in right-of-use assets and SEK 165 M (121) in intangible assets. Depreciation and amortization during the year amounted to SEK 1,951 M (1,335) for 2019, including depreciation of right-of-use assets. Impairment losses for the Group, net after reversals, totaled SEK 3,154 M (neg: 37). Participations in associated companies increased by SEK 24 M (2).

Exchange rate effects increased capital employed by SEK 1,156 M during the year.

SPECIFICATION OF CAPITAL EMPLOYED ¹

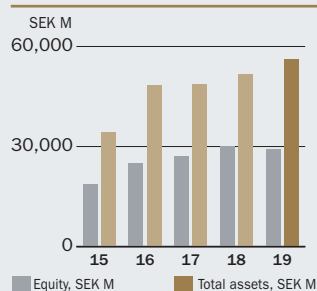
SEK M	2019	2018
Total assets	56,341	51,749
Less:		
Interest-bearing receivables	308	119
Cash and cash equivalents	2,694	2,341
Tax assets	1,982	1,662
Operating liabilities	6,648	6,509
Capital employed, Group	44,709	41,118

Return on capital employed, excluding items affecting comparability, was 9.8 percent (11.4).

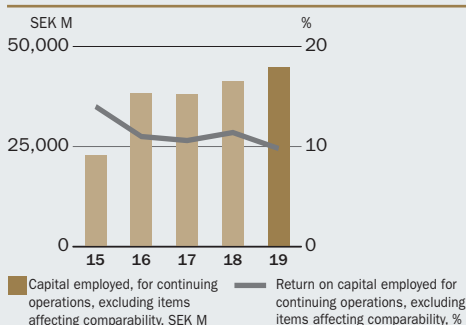
RETURN ON CAPITAL EMPLOYED, % ¹

	2019	2018
Excluding items affecting comparability	9.8	11.4
Including items affecting comparability	2.0	11.1

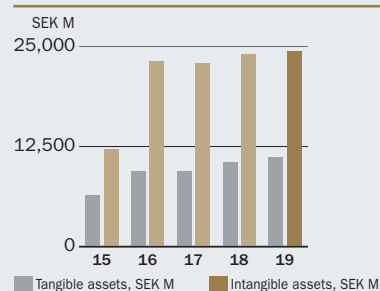
CAPITAL STRUCTURE



CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED



TANGIBLE ¹ AND INTANGIBLE ASSETS



¹ Excluding rights-of-use assets.

CONSOLIDATED BALANCE SHEETS

December 31, SEK M	Note	2019	2018
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	15, 16	13,306	10,612
Goodwill	17	19,198	19,100
Other intangible assets	17	5,289	5,013
Participations in associated companies	12	108	81
Financial non-current assets	13, 26, 30	46	67
Deferred tax assets	9	941	692
Total non-current assets		38,888	35,565
<i>Current assets</i>			
Inventories	18	6,361	6,142
Current operating receivables	19, 20, 22	7,071	6,657
Current tax assets		1,041	970
Interest-bearing receivables	27	286	74
Cash and cash equivalents	25	2,694	2,341
Total current assets		17,453	16,184
TOTAL ASSETS		56,341	51,749
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	28	2,620	2,620
Other capital contributions		226	226
Other reserves		2,961	2,132
Profit brought forward		23,608	21,958
Net profit for the year		-199	3,190
Total		29,216	30,126
Non-controlling interests		10	-
Total equity		29,226	30,126
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	29	13,063	9,367
Other non-current liabilities	23	188	99
Pension obligations	11	604	530
Other provisions	24	202	227
Deferred tax liabilities	9	1,075	944
Total non-current liabilities		15,132	11,167
<i>Current liabilities</i>			
Interest-bearing current liabilities	29	4,234	3,028
Current tax liability		1,234	1,098
Other current liabilities	21, 22, 23	6,122	6,041
Other provisions	24	393	289
Total current liabilities		11,983	10,456
TOTAL EQUITY AND LIABILITIES		56,341	51,749

TRELLEBORG GROUP, CHANGE IN TOTAL EQUITY

Equity	Attributable to shareholders of the Parent Company								Non-controlling interests		Total	
	Share capital		Other capital contributions		Other reserves		Profit brought forward		2019	2018	2019	2018
	2019	2018	2019	2018	2019	2018	2019	2018				
SEK M												
Opening balance, January 1	2,620	2,620	226	226	2,132	1,224	25,148	23,146	-	-	30,126	27,216
Nonrecurring item attributable to IFRS 9							-	-8	-	-	-	-8
Nonrecurring item attributable to IFRS 16 including tax effect							-133	-	-	-	-133	-
Net profit/loss for the year							-199	3,190	-	-	-199	3,190
Other comprehensive income					829	908	-119	40	-	-	710	948
Dividend							-1,288	-1,220	-	-	-1,288	-1,220
Non-controlling interests									10	-	10	-
Closing balance, December 31	2,620	2,620	226	226	2,961	2,132	23,409	25,148	10	-	29,226	30,126

For other reserves, refer to Note 28.

The Board of Directors proposes a cash dividend of SEK 4.75 per share (4.75), a total of SEK 1,288 M (1,288).

NET DEBT ¹

SEK M	2019	2018
Non-current interest-bearing investments and receivables	3	2
Current interest-bearing receivables	286	74
Cash and cash equivalents	2,694	2,341
Total interest-bearing assets	2,983	2,417
Interest-bearing non-current liabilities	-13,063	-9,367
Pension obligations	-600	-521
Interest-bearing current liabilities	-4,234	-3,028
Total interest-bearing liabilities	-17,897	-12,916
Net debt	-14,914	-10,499
<i>Change in net debt:</i>		
Net debt at January 1	-10,499	-9,593
Operating cash flow	4,174	3,495
Cash-flow effect of items affecting comparability	-353	-263
Non-controlling interests	10	-
Financial items	-377	-245
Tax paid	-763	-919
Free cash flow	2,691	2,068
Acquisitions	-3,066	-440
Divested operations	-	4
Dividend paid – shareholders of the Parent Company	-1,288	-1,220
Net cash flow	-1,663	412
Exchange rate differences	-377	-797
Lease liability acc. to IFRS 16 ²	-2,224	-
Pension liability	-151	-521
Net debt at year end	-14,914	-10,499
<i>Of which:</i>		
Pension liability	-600	-521
Lease liability acc. to IFRS 16	-2,353	-
Net debt excluding impact of lease and pension liability	-11,961	-9,978
Debt/equity ratio, %		
Group	51	35
Group, excluding impact of lease and pension liability	41	33
Net debt/EBITDA ³		
Group	2.5	1.8
Group, excluding impact of lease and pension liability	2.1	1.7

¹ As of 2019, net debt includes lease liabilities in accordance with IFRS 16 and pension liabilities. Comparative figures associated with the pension liability have been adjusted by SEK 521 M for 2018. The adjustment of the pension liability for 2019 relates to the revaluation that occurred during the year.

² Relates to non-cash items.

³ EBITDA, including items affecting comparability.

	2019	2018
Group		
EBITDA/net interest income, multiples	16.2	20.3
Return on shareholders' equity ⁴ , %	-0.7	11.1

⁴ Shareholders' equity for 2019 was impacted by a non-recurring item related to IFRS 16.

Net debt and financing

Net debt at year-end 2018/2019 amounted to SEK 9,978 M. The opening balance was subsequently adjusted due to the reclassification of the pension liability from capital employed to net debt in the amount of negative SEK 521 M.

The closing net debt was impacted by the effects of the introduction of IFRS 16, net cash flow for the year, negative exchange rate differences and acquisitions completed during the year. Net debt at year-end amounted to SEK 14,914 M. Excluding the impact of IFRS 16 and pension liabilities, net debt amounted to SEK 11,961 M.

The debt/equity ratio, excluding the impact of leases recognized in accordance with IFRS 16 and pension liabilities, was 41 percent (33) at year-end. Including these items, the debt/equity ratio was 51 percent (35).

Net debt in relation to EBITDA, excluding the impact of leases recognized in accordance with IFRS 16 and pension liabilities, was 2.1 (1.7) at year-end. Including these items, the ratio was 2.5 (1.8).

Trelleborg's credit facilities

Trelleborg's core EUR 450 M and USD 625 M syndicated multicurrency revolving credit facility matures in February 2024 and can be extended by an additional one or two years on the condition that the lenders agree to this. On account of Trelleborg's significant presence in the Czech Republic, there is also a syndicated facility of czk 6,750 M. This facility matures in 2024.

In 2019, Trelleborg issued three Medium Term Notes in the Swedish bond market of EUR 50 M (tenor 10 years), SEK 750 M (tenor 5 years) and SEK 500 M (tenor 2 years).

Equity

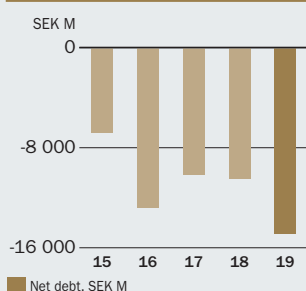
Total shareholders' equity decreased during the year by SEK 900 M to SEK 29,226 M (30,126).

The net result for the year impacted shareholders' equity in the negative amount of SEK 199 M (pos: 3,190). Effects of translation differences, cash-flow hedging and the hedging of net investments increased total shareholders' equity by a net amount of SEK 829 M (908) after tax. Effects of the restatement of the net pension obligation under IAS 19 Employee Benefits was an expense of SEK 119M after tax (income: 40). An adjustment of effects from the implementation of IFRS 16 had an impact of negative SEK 133 M on the opening balance. Non-controlling interests increased total equity by SEK 10 M.

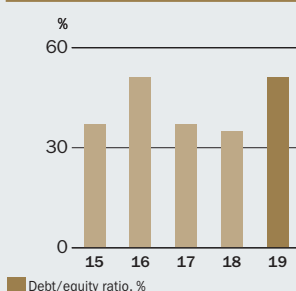
The total dividend amounted to SEK 1,288 M (1,220).

Equity per share was SEK 108 (111), down 3 percent. The equity/assets ratio was 52 percent (58). The return on shareholders' equity excluding items affecting comparability amounted to 10.9 percent (11.7). The total return on shareholders' equity for the year was negative 0.7 percent (pos: 11.1).

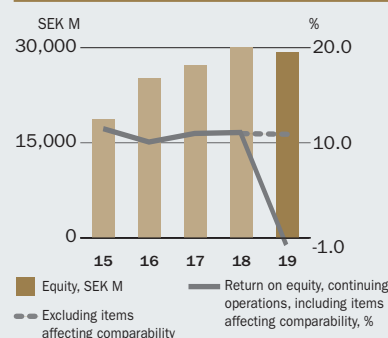
NET DEBT



DEBT/EQUITY RATIO



EQUITY AND RETURN ON EQUITY



COMMENTS ON THE CONSOLIDATED CASH-FLOW STATEMENTS

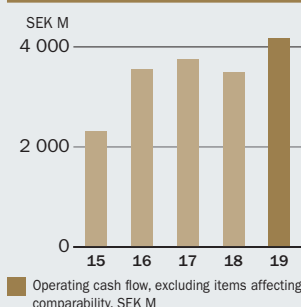
The Group's operating cash flow was SEK 4,174 M (3,495). The cash conversion ratio was 90 percent (74) for the year. The improvement is due primarily to a better trend in working capital compared with the preceding year and lower capital expenditure. The level of investment decreased 8 percent compared with 2018 to SEK 1,797 M (1,943), comprising 4.9 percent (5.7) of sales. The change in working capital was a negative SEK 258 M (neg: 576). During the year, payments related to items affecting comparability amounted to an outflow of SEK 353 M (outflow: 263). After deductions for payments to non-controlling interests of SEK 10 M (–), financial items, outflow of SEK 377 M

(outflow: 245), and taxes paid, outflow of SEK 763 M (outflow: 919), free cash flow amounted to SEK 2,691 M (2,068), corresponding to SEK 9.93 per share (7.63).

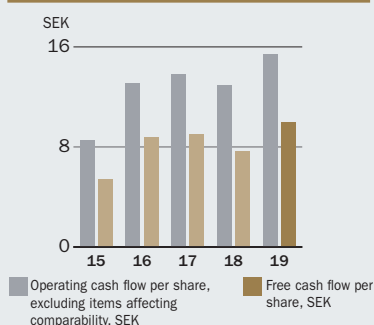
Eight acquisitions took place during the year, refer to page 35. The total cash flow effect of acquisitions amounted to an outflow of SEK 3,066 M (outflow: 440). The dividend for the year to shareholders of the Parent Company amounted to SEK 1,288 M (1,220).

Net cash flow amounted to an outflow of SEK 1,663 M (inflow: 412).

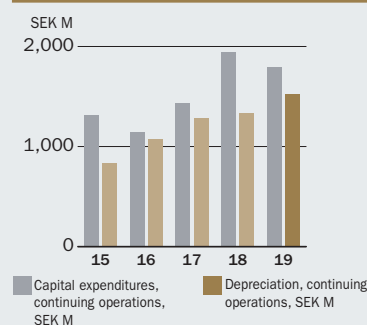
OPERATING CASH FLOW



CASH FLOW PER SHARE



CAPITAL EXPENDITURES AND DEPRECIATION ¹



¹ Excluding impact from IFRS 16.

CASH-FLOW REPORT

SEK M	EBITDA		Gross capital expenditures		Sold non-current assets		Amortization of lease liability		Change in working capital		Dividend from associated companies		Other non-cash items		Total cash flow	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Trelleborg Industrial Solutions	1,759	1,375	–438	–525	4	15	–97	–	–57	–80	–	0	48	37	1,219	822
Trelleborg Sealing Solutions	3,366	2,930	–575	–510	3	7	–174	–	–149	–345	1	2	44	36	2,516	2,120
Trelleborg Wheel Systems	1,415	1,627	–483	–491	8	8	–92	–	128	–175	–	–	53	30	1,029	999
Group items	–190	–176	–26	–25	0	12	–18	–	–74	12	–	–	–150	–123	–458	–300
Core businesses	6,350	5,756	–1,522	–1,551	15	42	–381	–	–152	–588	1	2	–5	–20	4,306	3,641
Businesses Under Development	255	221	–275	–392	3	2	–25	–	–106	12	–	–	16	11	–132	–146
Operating cash flow	6,605	5,977	–1,797	–1,943	18	44	–406	–	–258	–576	1	2	11	–9	4,174	3,495
Cash-flow effect of items affecting comparability															–353	–263
Non-controlling interests															10	–
Financial items															–377	–245
Tax paid															–763	–919
Free cash flow															2,691	2,068
Acquisitions															–3,066	–440
Divested operations															–	4
Dividend paid – shareholders of the Parent Company															–1,288	–1,220
Total net cash flow															–1,663	412

CONSOLIDATED CASH-FLOW STATEMENTS

SEK M	Note	2019	2018
Operating activities			
EBIT including participations in associated companies		962	4,518
Adjustment for items not included in operating cash flow:			
Depreciation of property, plant and equipment	15, 16	1,579	1,026
Amortization of intangible assets	17	372	309
Impairment of property, plant and equipment	15, 16	452	-37
Impairment of intangible assets	17	2,709	0
Dividend from associated companies		1	2
Participations in associated companies and other non-cash items		4	-9
Interest received and other financial items		45	52
Interest paid and other financial items		-422	-297
Tax paid		-763	-919
Cash flow from operating activities before changes in working capital		4,939	4,645
Cash flow from changes in working capital			
Change in inventories		78	-463
Change in operating receivables		135	-143
Change in operating liabilities		-471	30
Change in items affecting comparability		182	-102
Cash flow from operating activities		4,863	3,967
Investing activities			
Acquired units	14	-3,066	-440
Divested/discontinuing operations		-	4
Gross capital expenditures for property, plant and equipment	15	-1,632	-1,822
Gross capital expenditures for intangible assets	17	-165	-121
Sale of non-current assets ¹		21	44
Cash flow from investing activities		-4,842	-2,335
Financing activities			
Change in interest-bearing investments		-213	770
Change in interest-bearing liabilities		-608	-665
New/utilized loans		3,004	2,737
Amortized loans		-649	-2 949
Dividend paid – shareholders of the Parent Company		-1,288	-1,220
Non-controlling interests		10	-
Cash flow from financing activities	29	256	-1,327
Cash flow for the year		277	305
Cash and cash equivalents			
Opening balance, January 1		2,341	1,994
Exchange rate differences		76	42
Cash and cash equivalents, December 31	25	2,694	2,341

¹ Of which SEK 3 M is included in items affecting comparability for 2019.

CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES

SEK M	2018	Transfer between long-term and short-term loans	Cash changes	Non-cash changes					2019
				Acquisitions	Translation differences	Fair value changes	Lease liabilities acc. to IFRS 16	Pension obligations	
Long-term loans	9,223	-249	1,880	-	162	-			11,016
Current loans	2,625	249	490	-	4	-			3,368
Other non-current financial liabilities	144		-49	-	0	-			95
Other current financial liabilities	403		-152	-	214	-			465
Lease liability acc. to IFRS 16	-		-340	-	65	-	2,628		2,353
Pension obligations	-		-82	-	10	-		672	600
Total liabilities from financing activities	12,395	0	1,747	-	455	-	2,628	672	17,897

Definitions of performance measures

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

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

1 General accounting policies

The Parent Company, Trelleborg AB (publ) is a limited liability company with its registered office in Trelleborg, Sweden. The Parent Company is listed on Nasdaq Stockholm. The Board of Directors resolved to adopt these consolidated financial statements for publication on February 20, 2020.

Basis of preparation

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

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

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

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

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

Consolidated financial statements

Group

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

Translation of foreign currencies

Functional currency and reporting currency

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

Transactions and balance-sheet items

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

Subsidiaries

The earnings and financial position of the Group subsidiaries, joint ventures and associated companies (none of which use a high-inflation currency) are prepared in the functional currency of each company. In the consolidated financial statements, the earnings and financial position of foreign subsidiaries are translated into SEK in accordance with the following:

Income and expenses in the income statements of subsidiaries are translated at the average exchange rate for the applicable year, while assets and liabilities in the balance sheets are translated at the closing rate. Exchange rate differences arising from translation are recognized as a separate item in other comprehensive income. Translation differences arising on financial instruments, which are held for hedging of net assets in foreign subsidiaries, are also entered as a separate item in other comprehensive income. On divestment, the accumulated translation differences attributable to the divested unit, previously recognized in other comprehensive income, are realized in the consolidated income statement in the same period as the gain or loss on the divestment.

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

Cash-flow statements

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

Other accounting and valuation policies

Non-current assets and non-current liabilities comprise amounts expected to be recovered or paid more than 12 months from the closing date. Current assets and current liabilities comprise amounts expected to be recovered or paid within 12 months of the closing date. Assets and liabilities are measured at cost, unless otherwise indicated.

New and amended IFRS applied from January 1, 2019

IFRS 16 Leases replaces IAS 17 Leases including IFRIC 4 and SIC 27.

The standard contains a leasing model for lessee entailing that almost all leases are to be recognized in the consolidated balance sheet. The right-of-use assets and liability are measured at the present value of future lease payments. The right-of-use assets also includes direct costs attributable to signing the leases. Depreciation of the right-of-use assets and interest expenses on lease liabilities are recognized in profit and loss.

Right-of-use assets are recognized on the line property, plant and equipment in the consolidated balance sheet. In subsequent periods, the right-of-use assets are recognized at cost less depreciation and any impairment and adjusted for any revaluation of the lease liability.

The lease liability is recognized on the lines interest-bearing non-current liabilities and interest-bearing current liabilities in the consolidated balance sheet. In subsequent periods, the liability is recognized at amortized cost and reduced by lease payments made. The lease liability is revalued in the event of changes to, for example, the lease term, residual value guarantees and any changes to lease payments.

Short-term leases (12 months or less) and leases in which the underlying asset is of low value do not need to be recognized in the statement of financial position. These items are recognized in operating profit in the same way as the former operating leases.

For lessors, IFRS 16 involves essentially no changes.

For more information, see Note 16.

Hedge accounting on IBOR-related flows

Trelleborg applies hedge accounting on IBOR-related flows. The IASB has

1 amended IFRS 9 so that companies are not compelled to discontinue hedge
2 accounting due to the uncertainty surrounding the transition to new interest rate benchmarks. The Group has decided to apply in advance the amendments to IFRS 9 due to the future change in interbank offered rates, "Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39, and IFRS 7." This change did not have any impact on the financial statements.

Other amended and new IFRS that came into effect in 2019 did not have any material impact on the Group's accounts.

New standards and interpretations that have not yet come into effect

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

Critical accounting estimates and judgments

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

Parent Company's accounting policies

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

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

The Parent Company applies the exception from application of IFRS 16 Leases. Leasing costs are charged to profit and do not impact the balance sheet.

2 Segment reporting



Accounting policies

Operating segments

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

Organizational changes were made at the end of 2019 with the aim of focusing the Group on selected segments and at the same time highlight areas where improvement in positions and profitability must occur. In the new organization, Trelleborg's core businesses comprise three business areas compared with five previously, and a new reporting segment, Businesses Under Development.

The following business areas are included in the new organization:

- **Trelleborg Industrial Solutions**, focusing on selected polymer-based industrial applications and infrastructure projects. This business area comprises the majority of the previous operations, the engineered coated fabrics operation of Trelleborg Coated Systems and the operations of marine solutions and infrastructure projects of Trelleborg Offshore & Construction. In conjunction with the changes, certain operations were transferred from Trelleborg Industrial Solutions to Businesses Under Development.

- **Trelleborg Sealing Solutions**, focusing on polymer-based sealing solutions. Trelleborg Sealing Solutions was unaffected by the organizational changes.
- **Trelleborg Wheel Systems**, focusing on off-highway and specialty tires. Trelleborg Wheel Systems was only marginally affected by the transfer of its bicycle tire operation to Businesses Under Development.

A number of operations were transferred to the new reporting segment, Businesses Under Development, which is recognized separately from the business area structure. These operations are:

- The printing blankets operation of Trelleborg Coated Systems
- The oil & gas operation of Trelleborg Offshore & Construction
- The Swedish and Estonian operations for specialty molded components of Trelleborg Industrial Solutions
- The Czech operation for specialty molded components and technical rubber products of Trelleborg Industrial Solutions as well as the bicycle tire operation of Trelleborg Wheel Systems

The former business areas Trelleborg Coated Systems and Trelleborg Offshore & Construction were discontinued as business areas in connection with the reorganization. Key figures from earlier years have been adjusted for this internal reorganization.



Critical estimates and judgments

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

A description of the Group's operating segments is presented on pages 20–29.

Royalty revenue is presented in Note 6, since it is not included in normal operations but is instead classified as "Other operating income." In the presentation of the Group's geographical markets, the operations have been subdivided into Western Europe, Rest of Europe, North America, South and Central America, Asia and other markets. Net sales are recognized according to customer location, while capital employed and capital expenditures are recognized according to where the subsidiaries are physically located.

In the translation of foreign subsidiaries, changes in exchange rates compared with 2018 had an impact on sales of 5 percent (4).

Net sales and EBIT by operating segment

SEK M	2019						2018					
	Net sales						Net sales					
	External	Internal	Total	Profit/loss	Of which, items affecting comparability	Of which, profit/loss in associated companies	External	Internal	Total	Profit/loss	Of which, items affecting comparability	Of which, profit/loss in associated companies
Trelleborg Industrial Solutions	10,609	276	10,885	1,050	–165	–	9,458	258	9,716	955	–39	–
Trelleborg Sealing Solutions	12,134	8	12,142	2,709	–20	3	11,038	11	11,049	2,544	–15	2
Trelleborg Wheel Systems	9,624	4	9,628	833	–80	–1	9,482	10	9,492	1,188	–67	–1
Group items/elimination	0	–203	–203	–258	–29	–1		–196	–196	–154	–11	–1
Core businesses	32,367	85	32,452	4,334	–294	1	29,978	83	30,061	4,533	–132	0
Businesses Under Development	4,221	62	4,283	–3,372	–3,402	3	4,027	73	4,100	–15	–44	3
Elimination		–147	–147					–156	–156			
Group	36,588	0	36,588	962	–3,696	4	34,005	0	34,005	4,518	–176	3
Financial income				78						60		
Financial expenses				–459						–342		
Income tax				–780						–1,046		
Net profit/loss				–199						3,190		

Allocation of revenue, external sales

2019							Revenue recognition:		
SEK M	Western Europe	Rest of Europe	North America	South and Central America	Asia & Other markets	Total external sales	Over time	Point in time	Total external sales
Trelleborg Industrial Solutions	4,627	919	2,839	375	1,849	10,609	960	9,649	10,609
Trelleborg Sealing Solutions	5,189	670	3,755	277	2,243	12,134	12	12,122	12,134
Trelleborg Wheel Systems	5,505	1,072	1,786	377	884	9,624	–	9,624	9,624
Core businesses	15,321	2,661	8,380	1,029	4,976	32,367	972	31,395	32,367
Businesses Under Development	1,784	687	510	324	916	4,221	522	3,699	4,221
Group	17,105	3,348	8,890	1,353	5,892	36,588	1,494	35,094	36,588

2018							Revenue recognition:		
SEK M	Western Europe	Rest of Europe	North America	South and Central America	Asia & Other markets	Total external sales	Over time	Point in time	Total external sales
Trelleborg Industrial Solutions	4,383	862	2,511	265	1,437	9,458	588	8,870	9,458
Trelleborg Sealing Solutions	4,964	659	3,038	189	2,188	11,038	–	11,038	11,038
Trelleborg Wheel Systems	5,398	1,107	1,715	390	872	9,482	–	9,482	9,482
Core businesses	14,745	2,628	7,264	844	4,497	29,978	588	29,390	29,978
Businesses Under Development	1,604	690	416	471	846	4,027	345	3,682	4,027
Group	16,349	3,318	7,680	1,315	5,343	34,005	933	33,072	34,005

Breakdown by operating segment

SEK M	2019						2018					
	Capital employed	Of which participations in associated companies	Capital expenditures ¹	Depreciation/amortization ²	Impairment losses ³	Operating cash flow ⁴	Capital employed	Of which participations in associated companies	Capital expenditures ¹	Depreciation/amortization ²	Impairment losses ³	Operating cash flow ⁴
Trelleborg Industrial Solutions	11,113	–	438	541	12	1,219	9,442	–	525	378	0	822
Trelleborg Sealing Solutions	15,188	10	575	638	–67	2,516	11,483	8	510	373	–2	2,120
Trelleborg Wheel Systems	15,318	–	483	508	–6	1,029	14,474	2	491	373	0	999
Group items	283	23	26	39	1	–458	90	1	25	19	–53	–300
Provisions for items affecting comparability	–146	–	–	–	–	–	–101	–	–	–	–	–
Core businesses	41,756	33	1,522	1,726	–60	4,306	35,388	11	1,551	1,143	–55	3,641
Businesses Under Development	3,057	75	275	225	3,214	–132	5,792	70	392	192	18	–146
Provisions for items affecting comparability	–104	–	–	–	–	–	–62	–	–	–	–	–
Group	44,709	108	1,797	1,951	3,154	4,174	41,118	81	1,943	1,335	–37	3,495

¹ Relates to investments in property, plant and equipment and intangible assets, excluding investments in right-of-use assets of SEK 201 M.

² Including depreciation of right-of-use assets of SEK 425 M.

³ Including reversed impairment losses.

⁴ Operating cash flow relates to the Group's operations excluding items affecting comparability.

Net sales

By geographic market/country

SEK M	2019	2018
Germany	5,239	5,137
France	2,239	2,078
UK	1,819	1,689
Italy	1,655	1,662
Sweden	1,227	1,256
Netherlands	803	759
Spain	722	725
Norway	610	461
Switzerland	597	723
Finland	499	365
Austria	485	429
Belgium	479	516
Denmark	266	249
Other Western Europe	465	300
Total Western Europe	17,105	16,349
Czech Republic	755	744
Poland	644	670
Russia	516	458
Turkey	305	323
Hungary	221	164
Slovakia	149	155
Slovenia	139	161
Romania	138	154
Rest of Europe	481	489
Total Rest of Europe	3,348	3,318
US	8,273	7,136
Canada	617	544
Total North America	8,890	7,680
Brazil	523	628
Mexico	478	465
Other South and Central America	352	222
Total South and Central America	1,353	1,315
China	1,911	1,778
India	583	488
Japan	567	511
Australia	523	540
South Korea	411	398
Other markets	1,897	1,628
Total Asia and other markets	5,892	5,343
Total	36,588	34,005

Trends in key currencies against the SEK were as follows:

	2019		2018	
	Average rate	Closing rate	Average rate	Closing rate
EUR	10.5850	10.4336	10.2567	10.2753
USD	9.4565	9.3171	8.6921	8.9710
GBP	12.0641	12.2145	11.5928	11.3482
CZK	0.4123	0.4098	0.3999	0.3981

Distribution by geographic market

SEK M	Capital employed		Capital expenditures	
	2019	2018	2019 ⁵	2018
UK	2,836	1,866	130	135
Germany	2,814	2,122	131	192
Italy	2,631	3,069	147	160
France	1,179	1,159	59	58
Sweden	1,117	913	144	95
Switzerland	769	699	33	25
Malta	499	443	49	23
Other Western Europe	5,738	5,618	116	85
Total Western Europe	17,583	15,889	807	773
Czech Republic	8,408	9,498	381	325
Slovenia	1,635	1,603	79	94
Serbia	385	356	40	134
Turkey	357	354	15	19
Poland	231	176	34	32
Rest of Europe	480	313	39	62
Total Rest of Europe	11,496	12,300	589	666
US	11,514	9,028	192	316
Canada	70	51	–	–
Total North America	11,584	9,079	192	316
Brazil	701	789	15	16
Mexico	162	139	2	4
Other South and Central America	10	6	–	–
Total South and Central America	873	934	17	20
China	1,460	1,465	73	69
Australia	607	556	19	28
Sri Lanka	317	199	64	2
Japan	272	245	1	27
India	269	211	19	36
Other markets	248	240	15	6
Total Asia and other markets	3,173	2,916	191	168
Total	44,709	41,118	1,797	1,943

⁵ Excluding investments in right-of-use assets of SEK 201 M.

3 Revenue recognition



Accounting policies

Revenue from contracts with customers

Trelleborg follows a five-step model for recognizing income that is based on when control of a good or service is passed to the customer. The core principle is that an entity is to recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The five-step model comprises the following steps:

Step 1: Identify the contract with the customer

A contract is an agreement between two or more parties that creates enforceable rights and obligations. The requirements of IFRS 15 are to be applied to each individual customer contract that the parties agreed to and that meets the following criteria:

- The contract has been approved by the parties and the parties intend to fulfill their obligations
- Each party's rights can be identified
- The payment terms for the goods or services to be transferred can be identified
- The contract has commercial substance (the risk, timing and amount for the company's future cash flows are expected to change due to the contract)
- It is probable that the consideration to which the company is entitled in exchange for the goods or services to be transferred to the customer will be collected

Trelleborg's customer contracts meet the five criteria of step 1.

Step 2: Identify the performance obligations in the contract

A contract with a customer contains a promise to transfer a good or service to the customer. If a promise for a good or service meets the criteria for being "distinct," this then comprises a performance obligation that is to be recognized separately from other goods and services in the contract.

Distinct performance obligations are promises to transfer goods or services in a contract that meet both of the following criteria:

- The customer can benefit from the good or services on its own or in conjunction with other readily available resources (distinct in nature) and
- The company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (distinct in the contract).

The Trelleborg Group has customer contracts that include one or more performance obligations. Contracts may include only sales of products, only sales of services or a combination of both. The contracts may also include freight service.

The Trelleborg Group's obligations for warranties cover an assurance that the product meets the agreed specifications, meaning normal warranty rules. These are recognized as a provision.

Step 3: Determine the transaction price

The transaction price is the amount of consideration to which a company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding value-added tax. The transaction price may be a fixed amount or variable, for example, as a result of rebates, refunds, credits or other similar items. Contracts that involve variable consideration entails that estimates and assessments must be made that could affect both the size and the time of when revenue is recognized.

Variable consideration is only to be recognized if it is highly probable that it will not result in a significant revenue reversal in the future when the uncertainty relating to the variable consideration has been subsequently resolved.

The Trelleborg Group has set the transaction price in accordance with IFRS 15 and variable consideration is continuously recognized on an accruals basis.

Step 4: Allocate the transaction price

Once the transaction price has been determined, it is to be allocated to the distinct performance obligations that have been identified. Where a contract has multiple performance obligations, the company will allocate the transaction price to each distinct performance obligation by reference to their relative standalone selling prices. Standalone selling price means the amount at which the performance obligation could be separately priced.

The Trelleborg Group allocates the transaction price to the various performance obligations in proportion to their standalone selling prices.

Step 5: Recognize revenue – over time or point in time

Revenue is recognized when a company has satisfied a performance obligation, which is when control of the underlying goods or services has been passed to the customer. The amount recognized as revenue correspond to the amount allocated to the satisfied performance obligations. A performance obligation can be satisfied over time or at a point in time. Revenue is recognized over time if the customer simultaneously receives and consumes all of the benefits provided by the company as the company performs; the company's performance creates or enhances an asset that the customer controls; or the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for performance completed to date. If a performance obligation does not meet one of these criteria to be recognized over time, revenue is recognized at one specific point in time. This takes place when control of a good or service is passed to the customer. Factors that may indicate the point in time at which control passes include: the company has transferred physical possession of the asset; the company has a present right to payment for the asset; the customer has accepted the good or service; the customer has the significant risks and rewards related to the ownership of the asset; and the customer has legal title to the asset.

Trelleborg recognizes revenue from contracts with customers both over time and at a specific point in time. The Group has a variety of delivery terms and these impact when control of the products is passed to the customer. For revenue recognition over time, both the "input and output" methods are used to determine the degree of completion. Under the "input method," revenue is recognized based on resources utilized in relation to the total expected use of resources in order to satisfy the performance obligation. For the "output method," revenue is recognized in relation to the number of tested or manufactured units and milestones achieved.

Payment terms

The most common payment terms in the Trelleborg Group vary between 1 and 90 days.

Other operating income

Other operating income includes external rental revenue, capital gains from the sale and scrapping of property, plant, equipment and tools, positive exchange rate differences, derivatives, royalty revenue and gains or losses on divestments of associated companies, joint ventures and subsidiaries.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognized when the right to receive payment has been determined.

4 Expenses and revenue by nature

SEK M	2019	2018
Costs for raw materials, components, goods for resale and packaging material as well as energy and transport costs	-17,327	-16,412
Remuneration to employees	-11,031	-10,003
Depreciation/amortization and impairment losses	-5,105	-1,298
Other external costs related to sales, administration and R&D	-2,157	-2,252
Other operating income/expenses	-10	475
Share of profit or loss in associated companies	4	3
Total	-35,626	-29,487

The above amounts include items affecting comparability.

5 Items affecting comparability**Accounting policies**

Non-recurring expenses related to the action programs aimed at enhancing the Group's efficiency and structure are recognized as items affecting comparability. A project is classified as affecting comparability only when it amounts to an equivalent of at least SEK 20 M and it has been approved by the Board.

An additional non-recurring impairment of non-current assets was included in items affecting comparability. Impairment was conducted to the calculated value in use. In addition to the action programs, costs and income can, in exceptional cases, also be classified as items affecting comparability. Exceptional items refers to material income or expense items recognized separately due to the significance of their nature or amount.

Breakdown by business area

SEK M	2019	2018
Trelleborg Industrial Solutions	-165	-39
Trelleborg Sealing Solutions	-20	-15
Trelleborg Wheel Systems	-80	-67
Group items	-29	-11
Core businesses	-294	-132
Businesses Under Development ¹	-3,402	-44
Group	-3,696	-176

¹ Impairment losses on capital employed amounted to SEK 3,198 M.

Breakdown by function

SEK M	2019	2018
Cost of goods sold	-269	-115
Selling expenses	-62	-15
Administrative expenses	-132	-84
Research & development costs	-3	-3
Other operating income	1	40
Other operating expenses	-3,231	1
Total	-3,696	-176

Of which impairment losses and restructuring costs, respectively

SEK M	Impairment losses ²		Restructuring costs	
	2019	2018	2019	2018
Trelleborg Industrial Solutions	-9	3	-156	-42
Trelleborg Sealing Solutions	66	-	-86	-15
Trelleborg Wheel Systems	-	-	-80	-67
Group items	-	-	-29	-11
Core businesses	57	3	-351	-135
Businesses Under Development	-3,215	-18	-187	-26
Group	-3,158	-15	-538	-161

² Including reversed impairment losses.

6 Other operating income and expenses

SEK M	2019	2018
Compensation from insurance company	0	1
Rental revenue	45	44
Exchange rate differences	182	275
Royalties	16	18
Government grants	5	12
Derivatives	41	70
Sale of non-current assets	6	22
Sale of tools, prototypes, etc.	15	14
Other	138	331
Total other operating income	448	787
Rental costs	-5	-15
Exchange rate differences	-181	-96
Derivatives	-61	-109
Depreciation/amortization	-201	-142
Sale/disposal of non-current assets	-5	-12
Other	-120	-84
Total other operating expenses	-573	-458
Total	-125	329

7 Auditor's remuneration

SEK M	2019	2018
<i>Deloitte</i>		
Audit assignment	24	24
Audit activities other than audit assignment	1	1
Tax consultancy services	0	0
Other services	0	0
<i>Other auditors</i>		
Audit assignment	5	3
Audit activities other than audit assignment	0	0
Tax consultancy services	0	0
Other services	0	0
Total	30	28

The audit assignment relates to audit of the financial statements and accounts. Audit activities other than the audit assignment refer, for example, to comfort letters and the limited assurance report on Trelleborg's sustainability report. Tax services include both tax consultancy services and tax compliance services. Other services primarily relate to consultancy services.

8 Financial income and expenses

Financial income

SEK M	2019	2018
Interest income according to the effective interest method from interest-bearing receivables recognized at amortized cost	43	49
Exchange rate fluctuations, net	35	11
Total financial income	78	60

Financial expenses

Interest expenses according to the effective interest method from interest-bearing liabilities recognized at amortized cost	-198	-194
Interest expenses on leases recognized in accordance with IFRS 16	-78	-
Interest expenses on pension liabilities	-14	-
Interest expenses, derivative instruments measured at fair value	-127	-142
Net change in value of derivative instruments measured at fair value	-2	0
Exchange rate fluctuations, net	-40	-6
Total financial expenses	-459	-342
Total financial income and expenses	-381	-282

Interest expenses for leases are recognized for 2019 as financial expenses in accordance with IFRS 16, which is a difference compared with the preceding year when interest expenses were included in leasing costs for operating leases in EBIT. The effects of IFRS 16 Leases are described in Note 16. From 2019, interest expenses on pension liabilities are also treated as financial expenses.

9 Income tax



Accounting policies

Income tax in the income statement includes both current tax and deferred tax. Income tax is recognized in profit and loss except when an underlying transaction is recognized directly against equity or comprehensive income, in which case the related tax effect is also recognized in equity or comprehensive income. Current tax is tax payable or recoverable for the current year. This also includes adjustment for current tax attributable to prior periods.

Deferred tax is recognized in its entirety and calculated using the balance sheet approach on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Temporary differences that arise on initial recognition of an asset or liability, and which are not attributable to a business combination and have not affected recognized or taxable earnings, do not entail a deferred tax asset or tax liability in the balance sheet. Temporary differences are not recognized for participations in subsidiaries, associated companies and joint ventures, as the Group can control the date when these temporary differences are reversed and when it is unlikely that they will be reversed in the foreseeable future. Temporary differences arise in business combinations on the differences between the consolidated value of assets and liabilities and their tax bases.

Deferred tax is measured at the nominal amount and calculated by applying the tax rates and tax rules enacted or announced at the closing date. Deferred tax assets are recognized insofar as it is probable that tax surpluses will be available in the future against which temporary differences can be utilized. Deferred tax assets and liabilities are offset when the deferred tax pertains to the same tax authority.



Critical estimates and judgments

Assessments are made to determine current and deferred tax receivables and liabilities, particularly with regard to deferred tax assets. In this manner, an assessment is made of the probability that the deferred tax assets will be utilized for settlement against future taxable gains. The fair value of these future taxable gains may deviate, owing to the future business climate and earnings potential, or to changes in tax regulations.

Income tax

SEK M	2019	2018
Current tax expenses		
Tax expenses for the period	-759	-853
Adjustment of tax attributable to prior years	-41	71
Total	-800	-782
Deferred tax expenses		
Utilization/revaluation of losses carried forward	-71	155
Deferred tax expenses/revenue on changes in temporary differences	76	-418
Adjustment of deferred tax attributable to prior years	17	11
Total	22	-252
Other tax	-2	-12
Total recognized tax expenses for the Group	-780	-1,046

Reconciliation of tax in the Group

Profit before tax	581	4,236
Calculated Swedish income tax, 21.4% (22.0)	-124	-932
Impact of other tax rates on foreign subsidiaries	-67	-85
Impact of changed tax rates and tax regulations ¹	-24	-92
Non-deductible impairment losses on capital employed ²	-489	-
Other non-deductible expenses/Non-taxable revenue	-21	-20
Foreign withholding tax	-43	-14
Reassessment of losses carried forward/temporary differences	1	12
Tax attributable to prior years	-24	82
Other	13	15
Total	-778	-1,034
Other tax	-2	-12
Recognized tax in Group	-780	-1,046

Tax items recognized in other comprehensive income or directly against equity

Deferred tax on cash-flow hedges	20	-4
Deferred tax on hedging of net investments	61	122
Deferred tax in translation differences	-4	2
Deferred tax on pension obligations (IAS 19)	32	-9
Deferred tax on right-of-use assets and lease liabilities (IFRS 16)	39	-
Total	148	111

¹ Includes the effects linked to a tax reform in the US.

² Refers to impairment losses in the Businesses Under Development reporting segment.

At year-end 2019, the Group had losses carried forward of approximately SEK 3,639 m (3,748), of which SEK 2,673 m (2,815) was taken into account when calculating deferred tax. Losses carried forward not taken into account include cases where uncertainty exists regarding the tax value.

Of losses carried forward, SEK 14 m (0) falls due within the next 12-month period and SEK 31 m (51) falls due within the next five-year period.

Deferred tax assets and liabilities

SEK M	2019			2018		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	157	1,115	-958	46	1,031	-985
Land and buildings	73	176	-103	75	169	-94
Machinery and equipment	112	294	-182	22	233	-211
Right-of-use assets	-	527	-527	-	-	-
Financial non-current assets	0	5	-5	0	6	-6
Inventories	148	8	140	135	15	120
Current receivables	14	13	1	12	2	10
Pension provisions	121	0	121	148	1	147
Other provisions	122	35	87	61	35	26
Lease liabilities	573	-	573	-	-	-
Non-current liabilities	4	0	4	11	0	11
Current liabilities	137	1	136	115	1	114
Losses carried forward	579	-	579	616	-	616
Total	2,040	2,174	-134	1,241	1,493	-252
Offsetting of assets/liabilities	-1,099	-1,099		-549	-549	
Total	941	1,075	-134	692	944	-252

Deferred tax assets and liabilities are offset when the deferred tax pertains to the same tax authority.

Change in deferred tax on temporary differences and losses carried forward

SEK M	Balance, January 1		Recognized in profit and loss		Recognized in other comprehensive income/directly against equity		Acquired/divested tax assets/liabilities		Translation differences		Balance, December 31	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Intangible assets	-985	-873	96	-42	-	-	-42	-28	-27	-42	-958	-985
Land and buildings	-94	-88	-5	1	-	-	-	0	-4	-7	-103	-94
Machinery and equipment	-211	-126	37	-79	-	-	-2	0	-6	-6	-182	-211
Right-of-use assets	-	-	33	-	-553	-	-7	-	0	-	-527	-
Financial non-current assets	-6	-7	-56	-95	57	97	-	-	0	-1	-5	-6
Inventories	120	133	18	-20	-	-	-	0	2	7	140	120
Current receivables	10	33	-9	-24	-	-	-	0	0	1	1	10
Pension provisions	147	121	-60	32	32	-9	-	0	2	3	121	147
Other provisions	26	105	60	-84	-	-	0	-	1	5	87	26
Lease liabilities	-	-	-26	-	592	-	7	-	0	-	573	-
Non-current liabilities	11	100	-7	-145	-	56	-	-	0	0	4	11
Current liabilities	114	56	12	49	-2	5	9	0	3	4	136	114
Losses carried forward	616	473	-71	155	22	-38	-	6	12	20	579	616
Total	-252	-73	22	-252	148	111	-35	-22	-17	-16	-134	-252

Employees

10 Employees and employee benefits



Accounting policies

Employee benefits

Variable salaries

Provisions for variable salaries are expensed on an ongoing basis in accordance with the financial implications of the agreement.

Remuneration on termination

Remuneration is normally payable if employment is terminated prior to normal retirement age, or when an employee accepts voluntary termination in exchange for remuneration. The Group recognizes severance pay when a detailed formal plan has been presented.

Average number of employees

	2019			2018		
	Number of women	Number of men	Total	Number of women	Number of men	Total
UK	382	1,439	1,821	311	1,189	1,500
Italy	186	1,067	1,253	185	1,046	1,231
Sweden	370	755	1,125	361	773	1,134
Germany	341	686	1,027	335	656	991
France	194	746	940	189	715	904
Malta	140	339	479	156	373	529
Denmark	115	293	408	93	306	399
Netherlands	31	214	245	27	227	254
Norway	46	194	240	43	179	222
Other Western Europe	146	404	550	145	381	526
Total Western Europe	1,951	6,137	8,088	1,845	5,845	7,690
Czech Republic	1,109	3,051	4,160	1,148	3,084	4,232
Slovenia	219	590	809	235	663	898
Serbia	61	563	624	62	523	585
Turkey	29	496	525	28	635	663
Poland	178	258	436	168	249	417
Rest of Europe	297	267	564	252	254	506
Total Rest of Europe	1,893	5,225	7,118	1,893	5,408	7,301
US	1,052	2,331	3,383	824	2,106	2,930
Canada	6	38	44	6	24	30
Total North America	1,058	2,369	3,427	830	2,130	2,960
Brazil	79	274	353	64	294	358
Other South and Central America	128	269	397	122	314	436
Total South and Central America	207	543	750	186	608	794
China	406	981	1,387	474	1,200	1,674
Sri Lanka	29	668	697	28	646	674
India	88	651	739	89	569	658
Other markets	155	591	746	151	518	669
Total Asia and other markets	678	2,891	3,569	742	2,933	3,675
Total	5,787	17,165	22,952	5,496	16,924	22,420

The proportion of women is 10 percent (10) in Group Management and 38 percent (38) on the Board of Directors.

Employee benefits, other remuneration and payroll overheads

Salaries and other remuneration, SEK M	2019	2018
UK	741	626
Italy	653	611
Sweden	603	631
Germany	742	716
France	463	397
Malta	120	119
Denmark	289	300
Netherlands	157	154
Norway	202	159
Other Western Europe	338	311
Total Western Europe	4,308	4,024
Czech Republic	686	621
Slovenia	186	185
Serbia	46	43
Turkey	81	75
Poland	77	71
Rest of Europe	98	85
Total Rest of Europe	1,174	1,080
US	2,268	1,795
Canada	30	22
Total North America	2,298	1,817
Brazil	95	94
Other South and Central America	63	52
Total South and Central America	158	146
China	235	232
Sri Lanka	47	45
India	82	67
Other markets	431	359
Total Asia and other markets	795	703
Salaries and other remuneration	8,733	7,770
Payroll overheads	1,634	1,633
Pension costs – defined contribution plans	217	189
Pension costs – defined benefit plans	57	56
Payroll overheads	1,908	1,878
Total	10,641	9,648
Salaries and other remuneration include:		
to Board members and President of Trelleborg AB, including variable salaries	24	28
to other senior executive officers	39	51

Remuneration of the Board of Directors and senior executives

Principles

The following principles governing remuneration of senior executives in the Trelleborg Group were adopted by the 2019 Annual General Meeting. The Board's proposal to the 2020 Annual General Meeting regarding principles for remuneration will content wise not deviate substantially from the principles adopted by the 2019 Annual General Meeting, but the structure and the phraseology will change in order to be compliant with the EU revised Shareholder Rights Directive. Trelleborg's principles for remuneration of senior executives state that the company shall offer market-based terms of employment that enable the company to recruit, develop and retain senior executives. It should be possible for the remuneration principles to vary depending on local conditions and be based on such factors as position, expertise, experience and performance. The total remuneration package is to comprise fixed and variable salaries, pension and other remuneration. Trelleborg continuously performs evaluations to ensure that conditions are market-based as compared with relevant industries and markets. Refer also to www.trelleborg.com, Corporate Governance, Remuneration: "Principles for remuneration and other conditions of employment for senior executives".

Remuneration of management 2019

President

During 2019, the President and CEO received a fixed salary and other remuneration as shown in the table overleaf. Pursuant to agreements, the President has the possibility of obtaining an annual variable salary. The annual variable salary has an established ceiling for full-year 2019, corresponding to a maximum of 65 percent of fixed salary. In 2019, the annual variable salary was based on financial targets. The annual variable salary does not constitute pensionable income and does not form the

basis of calculation of vacation pay. For 2019, an annual variable salary of SEK 4,834,000 (5,447,000) was payable to the President.

Pensionable age for the President is 65; however, both the company and the President have the right, without special motivation, to request early retirement from the age of 60, with a mutual six-month notice of termination. If the President enters early retirement, the employment agreement and pension agreement are rendered invalid. The pension agreement is a defined-contribution scheme, and the premium comprises 45 percent of the fixed salary. Pension premiums were expensed in 2019 as shown in the table to the right.

For the President, a period of notice of 24 months applies when termination of employment is initiated by the company. The period of notice when termination of employment is initiated by the President is six months.

Other senior executives

The principles for remuneration of other senior executives are based on both a fixed and annual variable salary and certain benefits. The annual variable part has an established ceiling and accounts for a maximum of 40–65 percent of fixed annual salary, but in practice in 2019 amounts to a maximum of 55 percent. In 2019, the annual variable salary was based on profit before tax and operating cash flow.

For other senior executives, the entire pension plan is a defined-contribution scheme, whereby the pension premium can vary between 10 and 40 percent of the fixed salary. This applies to other senior executives in all countries other than Italy, where the premium level is slightly higher. For other Swedish senior executives, the maximum level is set at 35 percent according to policy.

Certain senior executives have extended notice of termination periods when initiated by the company, normally 12, 18 or 24 months. The period of notice from the senior executive is six months. The President and other senior executives have the possibility of having other benefits, primarily a company car and medical expenses insurance.

Long-term incentive program

Since 2005, the Board of Directors has annually resolved on a long-term incentive program for the President and for senior executives considered to exercise a significant influence on the Trelleborg Group's earnings per share. These programs are ongoing, three-year programs. The Board determines annually whether to instigate new programs and, if so, the scope, objective and participants of such new programs. The incentive programs are a cash-based supplement to the annual variable salaries, provided that the executive has not terminated his employment as per December 31 in the year in which the program ends.

Purpose

The incentive programs are directional and have long-term content. The aim is to increase value for the Group's shareholders by promoting and retaining the commitment of senior executives to the Group's development.

Target figure

The target value for the incentive programs is an annual improvement of 10 percent in the Trelleborg Group's earnings per share. This target excludes the Group's items affecting comparability and the impact of any share buyback programs. For the 2017–2019 program, the basis for the target figure was set as the outcome of earnings per share for 2016 and this principle has remained unchanged for the rolling three-year programs that commenced thereafter. All programs have an outcome that is limited to 33.3 percent of the maximum annual variable salary.

Outcome and payment

The outcomes of the programs are calculated annually and accumulated over the three-year period and potential payments are made in the first quarter of the year after the program expires. A payment was made in the first quarter of 2019 for the program approved in 2016. For the program approved for 2017, payment will be made in the first quarter of 2020, for the program approved for 2018, payment will be made in the first quarter of 2021, and for the program approved for 2019, payment will be made in the first quarter of 2022. The payments do not constitute pensionable income and do not form the basis of calculation of vacation pay. In 2019, consolidated earnings were charged with SEK 10,252,000 (51,143,000) including payroll overheads.

Other incentive programs

The Group has no ongoing convertible debenture or warrant programs at the present time.

Remuneration to the Board 2019

The fees paid to the members of the Board of Directors elected by the Annual General Meeting are approved by the Annual General Meeting based on the proposals of the Nomination Committee. For 2019, remuneration was paid as per the table to the right. No consulting fees were paid to the Board members. Remuneration is not paid to executive Board members.

Costs are recognized as remuneration of senior executives for the period during which the person in question held their position.

Specification of remuneration to Board members, salaries to the President and other senior executive officers

2019 SEK 000s	Board fee/fixed salary	Annual variable salary	Incentive program ¹	Other benefits	Pension costs	Total
Hans Biörck, Chairman of the Board	2,050					2,050
Gunilla Fransson, Board member	805					805
Johan Malmquist, Board member	738					738
Anne Mette Olesen, Board member	665					665
Susanne Pahlén Åklundh, Board member	728					728
Panu Routila, Board member	728					728
Jan Ståhlberg, Board member	665					665
President	11,108	4,834	1,430	199	4,921	22,492
Other senior executives, employees of Trelleborg AB, 2 persons	5,596	1,896	560	255	2,000	10,307
employees of other Group companies, 6 persons	20,999	6,356	2,269	1,507	7,411	38,542
Total	44,082	13,086	4,259	1,961	14,332	77,720

¹ Expensed in 2019. Payment is to be made in the first quarter, 2020 to 2022, on condition that the individual is employed in the Group on December 31 of the preceding year.

2018 SEK 000s	Board fee/fixed salary	Annual variable salary	Incentive program ²	Other benefits	Pension costs	Total
Hans Biörck, Chairman of the Board	1,555					1,555
Gunilla Fransson, Board member	737					737
Johan Malmquist, Board member	700					700
Anne Mette Olesen, Board member	633					633
Susanne Pahlén Åklundh, Board member	653					653
Panu Routila, Board member	470					470
Jan Ståhlberg, Board member	430					430
President	10,867	5,447	6,489	203	4,771	27,777
Other senior executives, employees of Trelleborg AB, 2 persons	5,391	2,102	2,504	264	2,934	13,195
employees of other Group companies, 6 persons	19,743	9,397	9,749	1,461	6,544	46,894
Total	41,179	16,946	18,742	1,928	14,249	93,044

² Expensed in 2018. Payment is to be made in the first quarter, 2019 to 2021, on condition that the individual is employed in the Group on December 31 of the preceding year.

11 Provisions for pensions and similar items

Accounting policies

Employee benefits Pension obligations

Within the Group, there are a number of defined contribution pension plans and defined benefit pension plans, of which a small number have plan assets in foundations or similar. Pension plans are normally financed through contributions to a separate legal entity from each Group company and from the employees. Prepaid contributions are recognized as an asset insofar as cash repayments or reductions of future payments can benefit the Group. Costs for services rendered in previous years are recognized directly in profit and loss.

Some of the ITP plans in Sweden are financed through insurance premiums paid to Alecta. This is a defined benefit plan and encompasses several employers. As Trelleborg did not have access to information to enable it to recognize this plan as a defined benefit plan, it was, consequently, recognized as a defined contribution plan.

Defined contribution pension plans

A defined contribution pension plan is a plan in which the Group pays fixed fees to a separate legal entity. The Group does not have any legal or informal obligations to pay additional contributions if this legal entity has insufficient assets with which to make all pension payments to employees that are associated with the current or past service of employees.

The Group's pension payments for defined contribution plans are expensed in all functions in profit and loss in the period in which the employees carried out the service to which the contribution refers.

Defined benefit pension plans

In a defined benefit pension plan, the amount of the pension benefit an employee will receive after retirement is based on factors such as age, period of service and salary.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation on the closing date, less the fair value of plan assets. For defined benefit plans, the liability is calculated using the Projected Unit Credit Method, which allocates the cost over the employee's working life. The calculations are undertaken by actuaries, who also regularly reassess the value of the pension obligations. These assumptions are based on the present value of future pension payments and are calculated using a discount rate corresponding to the interest on first-class corporate bonds or government bonds with a remaining maturity largely matching that of the current pension obligations. For funded pension plans, the fair value of plan assets reduces the calculated pension obligation. Funded plans with net assets, meaning where the assets exceed the obligations, are recognized as plan assets, adjusted for limitation of defined benefit asset and IFRIC 14.

Actuarial gains and losses as a result of experience-based adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

Other post-employment benefits

Some Group companies in the US provide post-retirement health care benefits to their employees. Entitlement to these benefits normally requires that the employee remains in service until retirement and works for the company for a specific number of years. The anticipated cost of these benefits is recognized over the period of service through the application of an accounting method similar to that used for defined benefit pension plans. Actuarial gains and losses are recognized in other comprehensive income in the period in which they arise. These obligations are assessed by qualified actuaries.

Critical estimates and judgments

The value of pension obligations for defined benefit pension plans is derived from actuarial calculations based on assumptions concerning discount rates, future salary increases, inflation and the demographic conditions. At year-end, the Group's defined benefit obligations amounted to SEK 600 M (521).

The sensitivity analyses below are based on a change in one assumption, with all other assumptions remaining constant. In practice, it is unlikely that this will occur and some of the changes in the assumptions may be correlated. The calculation of sensitivity in the defined benefit obligation for key actuarial assumptions uses the same method (the present value of the defined benefit obligation applying the Projected Unit Credit Method at the end of the reporting period) as used in the calculation of pension liabilities recognized in the balance sheet.

Specification of pension obligations in the balance sheet

SEK M	2019	2018
Present value of funded obligations	1,202	1,016
Fair value of plan assets	-1,131	-1,005
Surplus/deficit in funded plans	71	11
Present value of unfunded obligations	529	482
Total defined benefit plans	600	493
Effect of limit rule for net assets	0	28
Total defined benefit plans	600	521
Defined contribution plans	1	1
Net pension liability	601	522
of which, recognized as plan assets	3	8
Closing balance, pension liability	604	530

Change in defined benefit obligations

SEK M	Present value of obligation	Fair value of plan assets	Effect of limit rule for net assets	Total
On January 1, 2018	1,482	-949	28	561
Costs for services during current year ³	37	5	-	42
Interest expenses/(income) ⁴	39	-27	1	13
Past service cost	2	0	-	2
Gains and losses from settlements	0	0	-	0
	78	-22	1	57
Revaluations:				
Return on plan assets excluding amounts included in interest expenses/(income)	0	22	-2	20
(Gain)/loss due to changed demographic assumptions	-2	0	-	-2
(Gain)/loss due to changed financial assumptions	-69	0	-	-69
Experience-based (gains)/losses	0	0	-	0
	-71	22	-2	-51
Exchange rate differences	82	-65	1	18
Contributions:				
Employer	0	-64	-	-64
Employees encompassed by the plan	7	-7	-	0
Payments:				
Payments made from plans	-48	48	-	0
Payments made directly from companies	-32	32	-	0
Assumed through business combinations	0	0	-	0
Transfers or change in scope	0	0	-	0
At December 31, 2018	1,498	-1,005	28	521
On January 1, 2019	1,498	-1,005	28	521
Costs for services during current year ³	38	4	-	42
Interest expenses/(income) ⁴	47	-34	1	14
Past service cost	2	0	-	2
Gains and losses from settlements	-3	0	-	-3
	84	-30	1	55
Revaluations:				
Return on plan assets excluding amounts included in interest expenses/(income)	0	-30	-31	-61
(Gain)/loss due to changed demographic assumptions	-6	0	-	-6
(Gain)/loss due to changed financial assumptions	221	0	-	221
Experience-based (gains)/losses	0	0	-	0
	215	-30	-31	154

Specification of costs

SEK M	2019	2018
Costs for services during current year ¹	42	42
Interest on the obligation	47	39
Anticipated return on plan assets ²	-33	-26
Actuarial gains and losses recognized for the year	2	-1
Curtailment and settlement	-3	0
Past service cost	2	2
Total cost of defined benefit plans	57	56
Cost of defined contribution plans	217	189
Total pension costs	274	245

¹ Includes administrative expenses, taxes and risk premiums.

² Adjusted for limitation of defined benefit asset and IFRIC 14.

SEK M	Present value of obligation	Fair value of plan assets	Effect of limit rule for net assets	Total
Exchange rate differences	48	-41	2	9
Contributions:				
Employer	0	-142	-	-142
Employees encompassed by the plan	8	-8	-	0
Payments:				
Payments made from plans	-78	78	-	0
Payments made directly from companies	-47	47	-	0
Assumed through business combinations	0	0	-	0
Transfers or change in scope	3	0	-	3
At December 31, 2019	1,731	-1,131	0	600

³ Including administrative expenses.

⁴ Adjusted for limitation of defined benefit asset and IFRIC 14.

Defined benefit pension obligation and composition of plan assets per country

SEK M	2019					Total
	US	Switzerland	France	UK	Other	
Present value of funded obligations	615	276	0	138	173	1,202
Fair value of plan assets	-623	-203	0	-138	-167	-1,131
Total	-8	73	0	0	6	71
Present value of unfunded obligations	18	1	205	0	305	529
Effect of limit rule for net assets	0	0	0	0	0	0
Total defined benefit plans	10	74	205	0	311	600

SEK M	2018					Total
	US	Switzerland	France	UK	Other	
Present value of funded obligations	515	235	0	126	140	1,016
Fair value of plan assets	-516	-194	0	-154	-141	-1,005
Total	-1	41	0	-28	-1	11
Present value of unfunded obligations	15	1	175	0	291	482
Effect of limit rule for net assets	0	0	0	28	0	28
Total defined benefit plans	14	42	175	0	290	521

	2019					Group average
	US	Switzerland	France	UK	Other	
Key actuarial assumptions, %						
Discount rate	3.1	0.2	0.5	2.0	1.9	1.9
Inflation	2.5	1.0	1.8	2.2	2.4	1.9
Salary increases	0.3	1.0	2.4	0.0	3.4	1.5

	2018					Group average
	US	Switzerland	France	UK	Other	
Key actuarial assumptions, %						
Discount rate	4.6	1.0	1.5	2.8	3.2	3.1
Inflation	2.5	1.0	1.8	2.5	3.0	2.2
Salary increases	0.3	1.0	2.4	0.0	4.2	2.7

Life expectancy	2019					
	US	Switzerland	France	UK	Other	Average
Life expectancy for a 45-year-old man at the age of 65	22.2	23.7	19.0	21.7	21.2	21.8
Life expectancy for a 65-year-old man at the age of 65	20.6	21.8	19.0	20.4	19.8	20.4
Life expectancy for a 45-year-old woman at the age of 65	24.2	25.7	23.0	23.8	24.5	24.3
Life expectancy for a 65-year-old woman at the age of 65	22.6	23.8	23.0	22.3	23.2	23.0

Life expectancy	2018					
	US	Switzerland	France	UK	Other	Average
Life expectancy for a 45-year-old man at the age of 65	21.8	23.8	18.9	23.8	20.5	21.5
Life expectancy for a 65-year-old man at the age of 65	20.2	22.0	18.9	20.9	19.6	20.2
Life expectancy for a 45-year-old woman at the age of 65	23.7	25.8	22.9	25.0	23.9	24.1
Life expectancy for a 65-year-old woman at the age of 65	22.2	23.9	22.9	23.1	23.0	22.9

Sensitivity in the defined benefit obligation to changes in the key weighted assumptions

Impact on the defined benefit obligation SEK M	Increase of +0.25% in assumptions ⁵					
	US	Switzerland	France	UK	Other	Total
Discount rate	-18.1	-13.0	-6.2	-4.2	-15.3	-56.8
Inflation	0.0	0.1	6.3	3.8	4.8	15.0
Salary increases	0.6	1.1	6.3	0.0	3.1	11.1
Life expectancy	Increase of 1 year in assumption					
	US	Switzerland	France	UK	Other	Total
Life expectancy	21.2	7.3	1.1	5.6	8.0	43.2

Impact on the defined benefit obligation SEK M	Decrease of -0.25% in assumptions ⁵					
	US	Switzerland	France	UK	Other	Total
Discount rate	19.0	14.1	6.5	4.2	16.2	60.0
Inflation	0.0	-0.2	-6.1	-3.8	-4.6	-14.7
Salary increases	-0.6	-1.2	-6.1	0.0	-3.0	-10.9
Life expectancy	Decrease of 1 year in assumption ⁶					
	US	Switzerland	France	UK	Other	Total
Life expectancy	21.2	7.3	1.1	5.6	8.0	43.2

⁵ The increase in the defined benefit obligation is shown as positive and the decrease as negative.

⁶ Not applicable.

Composition of plan assets

SEK M	2019			
	Listed	Unlisted	Total	%
Shares	361	0	361	31.9
Debt instruments (government bonds and corporate bonds)	295	0	295	26.1
Properties	40	0	40	3.5
Other (including cash and cash equivalents and insurance)	210	225	435	38.5
Total	906	225	1,131	100.0

SEK M	2018			
	Listed	Unlisted	Total	%
Shares	392	0	392	39.0
Debt instruments (government bonds and corporate bonds)	288	0	288	28.6
Properties	24	0	24	2.4
Other (including cash and cash equivalents and insurance)	143	158	301	30.0
Total	847	158	1,005	100.0

Contributions to plans for post-employment benefits for the 2020 fiscal year are expected to amount to SEK 57 M. The weighted average term of the pension obligation is 14 years.

Pension insurance with Alecta

Retirement pension and family pension obligations for salaried employees in Sweden are secured through pension insurance with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 10, this constitutes a multi-employer defined benefit plan. For the 2019 fiscal year, the Group did not have access to such information that would enable the Group to report its proportionate share of the plan's obligations, plan assets and costs, which meant that it was not possible to report the plan as a defined benefit plan. Consequently, the ITP pension plan secured through insurance with Alecta is recorded as a defined contribution plan. The premium for the defined benefit retirement pension is individual and is determined by such factors as the insured's age, salary and previously earned pension. Expected contributions for pension insurance in the next reporting period taken out with Alecta total SEK 10 m. The Group pays an insignificant amount of this plan.

The collective consolidation ratio reflects the market value of Alecta's assets as a percentage of insurance obligations, calculated in accordance with Alecta's actuarial assumptions, which do not correspond with IAS 19. Collective consolidation, in the form of collective consolidation ratio, is normally permitted to vary between 125 percent and 155 percent. If Alecta's collective consolidation ratio falls below 125 percent or exceeds 155 percent, measures are taken to create conditions to return the collective consolidation ratio to the normal interval. Alecta's surplus can be distributed to the policyholders and/or the insured if the collective consolidation ratio exceeds 155 percent. However, Alecta applies premium reductions to avoid a surplus from arising. At December 31, 2019, Alecta's surplus corresponded to a collective consolidation ratio of 148 percent (142).

Group structure

12 Participations in joint ventures/associated companies



Accounting policies

Associated companies

Associated companies are companies in which the Parent Company directly or indirectly has a significant, but not controlling, influence, generally corresponding to between 20 and 50 percent of the voting rights. Investments in associated companies are recognized in accordance with the equity method and are initially recognized at cost. The Group's carrying amount of the holdings in associated companies includes the goodwill identified in conjunction with the acquisition, net after any recognition of impairment losses. The associated companies essentially carry out the same operations as the Group's other business activities and, accordingly, the share of profit in these companies is recognized in EBIT.

The Group's share in the post-acquisition results of an associated company is recognized in profit and loss in the item "Share of profit or loss in associated companies," and is included in EBIT. Accumulated post-acquisition changes are recognized as changes in the carrying amount of the investment. When the Group's share in the losses of an associated company amount to, or exceed, the Group's investment in the associated company, including any unsecured receivables, the Group does not recognize further losses unless obligations have been incurred or payments made on behalf of the associated company. Unrealized gains on transactions between the Group and its associated companies are eliminated in proportion to the Group's participation in the associated company. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset.

Joint ventures

An assessment must be made regarding whether any joint arrangements that exist within the Group are to be considered joint ventures. Joint ventures are recognized in accordance with the equity method. The equity method entails that holdings in joint ventures are to be initially recognized in the consolidated statement of financial position at cost. The carrying amount is subsequently increased or decreased to take into account the Group's share of profit and other comprehensive income from its joint ventures after the date of acquisition. The Group's share of profit is included in consolidated earnings, and the Group's share of other comprehensive income is included in other comprehensive income in the Group. When the Group's share of the losses in a joint venture is the same amount or exceeds the holdings in this joint venture (including all long-term receivables that in reality comprise part of the Group's net investment in the joint venture), the Group does not recognize any additional losses unless obligations have been incurred or payments made on behalf of the joint venture.

Related-party transactions

The Group's transactions with related parties pertain to purchases and sales to joint ventures/associated companies. All transactions are priced in accordance with market terms and prices. In addition, compensation is paid to the Board of Directors and senior executives; refer to Note 10 for further information.

The Trelleborg Group has no major associated companies; the most significant value is associated with Sico Rubena a.s.

SEK M	Profit before tax		Income tax		Net profit		Dividend received	
	2019	2018	2019	2018	2019	2018	2019	2018
Associated companies	5	5	-1	-2	4	3	1	2
Total	5	5	-1	-2	4	3	1	2

SEK M	Receivables from companies		Liabilities to companies		Sales to companies		Operating income from companies	
	2019	2018	2019	2018	2019	2018	2019	2018
Associated companies	3	3	1	1	7	6	10	9
Total	3	3	1	1	7	6	10	9

Change in carrying amounts of associated companies

SEK M	2019	2018
Balance, January 1, associated companies	81	76
Share of profit for year from associated companies	4	3
Newly founded	21	-
Dividend	-1	-2
Translation difference	3	4
Carrying amount, December 31¹	108	81

¹ Of which Sico Rubena a.s accounts for SEK 75 m (70).

13 Parent Company and Group holdings of shares in Group companies



Accounting policies

Subsidiaries

The Group has a controlling influence over a company when it is exposed or entitled to a variable return from its holding in the company and can influence said return through its controlling influence in the company. This is normally achieved when the shareholding amounts to more than half of the voting rights. The occurrence and effect of potential voting rights that are currently available to utilize or convert are taken into account in the assessment of whether the Group exercises controlling influence over another company. The Group also determines that control exists despite not having a participation exceeding half of the voting rights but for which it nonetheless is able to govern financial and operating strategies in the company.

Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group. They are excluded from the consolidated financial statements from the date on which the control ceases. When the Group no

longer holds a controlling influence, each remaining holding is measured at fair value at the date on which the Group ceased to hold the controlling influence. The change in the carrying amount is recognized in profit and loss. The fair value is used as the initial carrying amount and comprises the basis for the future recognition of the remaining holdings as an associated company, joint venture or financial asset. All amounts pertaining to the divested unit that were previously recognized in other comprehensive income are recognized as if the Group had directly divested the attributable assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit and loss.

Where necessary, the accounting policies for subsidiaries have been adjusted to guarantee consistent application of the Group's policies.

Company ¹	Registration number	Domicile/country	Number of shares	Ownership percent	Carrying amount, SEK M
Chemtrading Alpha Holding AG	170300018603	Switzerland	100	100	3
Dormviltolv AB	556853-1619	Trelleborg	1,000	100	0
Dormviltretton AB	556853-1627	Trelleborg	1,000	100	0
Dormvilfjorton AB	556853-1486	Trelleborg	1,000	100	0
Dormvilfemton AB	556853-1635	Trelleborg	1,000	100	4
LEBELA Förvaltnings AB	556054-1533	Trelleborg	60,000	100	32
Max Meier AG	CHE-107.270.682	Switzerland	100	100	28
MHT Takentreprenören i Malmö AB	556170-2340	Malmö	1,000	100	0
Trelleborg Automotive Shanghai Holdings AB	556742-8742	Trelleborg	1,000	100	10
Trelleborg Boots Mladá Boleslav s.r.o	639 96 111	Czech Republic	0	100	19
Trelleborg China Holding AB	556030-7398	Trelleborg	200,000	100	43
Trelleborg Sealing Solutions (China) Co. Ltd	310000400437534	China	0	100	
Trelleborg Coated Systems China Holding AB	556728-8716	Trelleborg	1,000	100	1
Trelleborg Corporation	06-1253246	US	2,592	100	4,989
Laminating Coating Technologies, Inc.	04-2919967	US	1,267,153	100	
Trelleborg Coated Systems Italy SpA	10051150158	Italy	25,600,000	100	
Trelleborg Coated Systems US Inc	23-1470071	US	1,000	100	
Trelleborg Marine Systems North America, Inc.	72-1395167	US	1,000	100	
Trelleborg Pipe Seals Milford, Inc.	02-0492653	US	1,000	100	
Trelleborg Sealing Profiles US Inc	20-4090472	US	1,000	100	
Trelleborg Sealing Solutions Detroit Inc	58-2037536	US	100	100	
Trelleborg Sealing Solutions Japan KK	0106-01-011635	Japan	117	35	
Trelleborg Sealing Solutions Tustin, Inc.	33-0577171	US	0	100	
Trelleborg Sealing Solutions US Inc	95-1773005	US	7,500	100	
Trelleborg India Pvt Ltd	U25203KA2012FTC062226	India	362,343,450	96	
Trelleborg Sealing Solutions Delano, LLC	41-1966903	US	10,210	100	
Trelleborg Sealing Solutions Japan KK	0106-01-011635	Japan	83	25	
Trelleborg Wheel Systems Americas Inc	06-1316073	US	1,000	100	
Trelleborg Croatia d.o.o.	80638386	Croatia	0	100	0
Trelleborg do Brasil Soluções em Vedação Ltda	35218417780	Brazil	22,003,021	100	13
Trelleborg Engineered Systems China Holding AB	556223-5910	Trelleborg	1,000	100	3
Trelleborg Engineered Systems Qingdao Holding AB	556715-4991	Trelleborg	1,000	100	96
Trelleborg Forsheda AB	556052-2996	Värnamo	8,640,000	100	156
Trelleborg Ersmark AB	556039-7852	Skellefteå	1,270,000	100	
Trelleborg Holding AB	556212-8255	Trelleborg	3,000	100	5,461
Trelleborg Antivibration Solutions Germany GmbH	HRB 5137 NP	Germany	6	100	
Trelleborg Bohemia a.s	000 12 131	Czech Republic	174	100	
Trelleborg Istanbul Endüstriyel Hortumlar Sanayi ve Ticaret Anonim Sirketi	905	Turkey	9,900,000	100	
Trelleborg Marine Systems Australia Pty Ltd	098,290,400	Australia	12	100	
Trelleborg Mexico Services S.A. de C.V.	TMS181012NU9	Mexico	300,000	100	
Trelleborg Sealing Profiles Germany GmbH	HRB 11960	Germany	0	100	
Trelleborg Sealing Profiles Sweden AB	556026-2148	Trelleborg	12,000	100	
Trelleborg Sealing Solutions Germany GmbH	HRB 21275	Germany	1	100	
Trelleborg Slovenija d.o.o	1661205000	Slovenia	0	100	
Trelleborg Wheel Systems Argentina S.A	14362	Argentina	277,500	15	
Trelleborg Wheel Systems Belgium NV	BE0402981847	Belgium	11,075,114	100	
Trelleborg Wheel Systems Czech Republic a.s.	000 12 190	Czech Republic	14,603,840	100	
Trelleborg Wheel Systems Germany GmbH	HRB 71478	Germany	0	100	

Company	Registration number	Domicile/country	Number of shares	Ownership percent	Carrying amount, SEK M
Trelleborg Holding Danmark A/S	1627 9196	Denmark	21,000	100	631
Trelleborg Holding France SAS	353742307	France	761,777	100	1,476
Trelleborg Industrie SAS	391933397	France	690,340	100	
Trelleborg Sealing Solutions France SAS	309,730,554	France	6,346	100	
Trelleborg Wheel Systems France SAS	410783492	France	9,060	100	
Trelleborg Holdings Italia S.r.l.	LI-128316	Italy	0	100	671
Trelleborg Sealing Solutions Italia S.p.A.	LI-48490	Italy	1,112,140	100	
Trelleborg Wheel Systems Italia SpA	RM-907676	Italy	11,000	100	
Trelleborg Holding Norge AS	943508186	Norway	10,000	100	
Trelleborg Offshore Norway AS	941730566	Norway	27,000	100	
Trelleborg Holdings Switzerland AG	CHE-101.230.069	Switzerland	100	100	201
Trelleborg Sealing Solutions Stein am Rhein AG	290.3.004.156-3	Switzerland	74	74	
Trelleborg Holdings UK Ltd	3304377	UK	253,472,474	100	1,951
Trelleborg Industrial Products UK Limited	3847966	UK	75,000,001	100	
Trelleborg Offshore UK Limited	1369166	UK	41,590	100	
Trelleborg Sealing Solutions UK Ltd	00446036	UK	10,050,000	100	
Trelleborg Wheel Systems UK Ltd	1930844	UK	500,000	100	
Trelleborg Industri AB	556129-7267	Trelleborg	725,000	100	102
Trelleborg Industrial Products Finland Oy	0605887-9	Finland	100	100	137
Trelleborg Insurance Ltd	10412	Bermuda	50,000	100	119
Trelleborg International B.V.	2327837	Netherlands	41	100	1,358
Trelleborg India Pvt Ltd	U25203KA2012FTC062226	India	15,432,999	4	
Trelleborg Pipe Seals Lelystad BV	05026585	Netherlands	30,000	100	
Trelleborg Lanka (Pvt) Ltd	6613	Sri Lanka	28,763,538	100	854
Trelleborg Marine Systems Japan KK	0100-01-095821	Japan	20	100	
Trelleborg Moulded Components Wuxi Holding AB	556715-4983	Trelleborg	1,000	100	29
Trelleborg Offshore & Construction AB	556055-7711	Trelleborg	1,250	100	22
Trelleborg Sealing Profiles Lithuanian, UAB	302333896	Lithuania	3,193,455	100	8
Trelleborg Sealing Solutions Belgium SA	BE0440479473	Belgium	100	100	41
Trelleborg Sealing Solutions Bulgaria EOOD	175241703	Bulgaria	13,000	100	65
Trelleborg Sealing Solutions Czech s.r.o.	48948764	Czech Republic	0	100	47
Trelleborg Sealing Solutions Finland Oy	0721679-5	Finland	15	100	75
Trelleborg Sealing Solutions Hong Kong Ltd	730579	Hong Kong	484,674	100	1
Trelleborg Sealing Solutions Hungary Limited Liability Company	13-09-119761	Hungary	0	100	1
Trelleborg Sealing Solutions Japan KK	0106-01-011635	Japan	133	40	99
Trelleborg Sealing Solutions Kalmar AB	556325-7442	Kalmar	60,000	100	245
Trelleborg Sealing Solutions Korea Ltd	123-81-81886	South Korea	77,000	100	17
Trelleborg Sealing Solutions Polska Sp. z o.o.	0000100866	Poland	12,800	100	6
Trelleborg Sealing Solutions Russia OOO	1087746852599	Russia	0	100	2
Trelleborg Sealing Solutions Sızdırmazlık Ürünleri İthalat İhracat Üretim ve Ticaret Limited Sirketi	816771	Turkey	42,200	100	7
Trelleborg Sealing Solutions Stein am Rhein AG	290.3.004.156-3	Switzerland	26	26	85
Trelleborg Sealing Solutions Sweden AB	556204-8370	Jönköping	2,500	100	167
Trelleborg Sealing Solutions Switzerland SA	CH-550-0081017-2	Switzerland	1,000	100	47
Trelleborg Tigveni SRL	22964627	Romania	700	100	6
Trelleborg Treasury AB (publ)	556064-2646	Stockholm	5,000	100	15,001
Trelleborg Tyres Lanka (Private) Limited	4395	Sri Lanka	16,272,537	100	91
Trelleborg Wheel Systems Argentina S.A.	14362	Argentina	1,572,500	85	0
Trelleborg Wheel Systems China Holdings AB	556739-6998	Trelleborg	1,000	100	64
Trelleborg Wheel Systems Lanka (Pvt) Ltd	6772	Sri Lanka	5,692,335	100	291
Trelleborg Wheel Systems Liepāja LSEZ SIA	42103042763	Latvia	8,502,000	100	105
Trelleborg Wheel Systems Nordic AB	556056-2620	Trelleborg	40,000	100	10
Trelleborg Wheel Systems Serbia doo	8250600	Serbia	0	100	800
Total Parent Company					35,690

¹ The table shows all directly owned subsidiaries and indirectly owned companies with annual external sales exceeding SEK 250 M.

14 Acquisitions



Accounting policies

The purchase method is used to recognize the Group's business combinations. The consideration for the acquisition of a subsidiary comprises the fair value of transferred assets, liabilities that the Group assumes from previous owners of the acquired company and the shares issued by the Group. The consideration also includes the fair value of all assets or liabilities that result from an agreement covering a contingent consideration. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value on the date of acquisition. For each acquisition, that is, on an acquisition-by-acquisition basis, the Group determines whether non-controlling interest in the acquired company is to be recognized at fair value or at the shareholding's proportional share in the carrying amount of the acquired company's identifiable net assets.

Acquisition-related costs are expensed as they arise.

If the business combination is completed in several steps, the previous equity interests in the acquired company are measured at fair value at the date of acquisition and up until a controlling influence is achieved. Any gain or loss arising is recognized in profit and loss.

Each contingent consideration to be transferred by the Group is recognized at fair value at the date of acquisition. Subsequent changes to the fair value of a contingent consideration classed as an asset or liability are recognized in line with IFRS 9 in profit and loss. Contingent considerations classed as equity are not remeasured and the subsequent settlement is recognized in equity.

Goodwill is initially measured as the amount by which the total purchase consideration and fair value of non-controlling interests exceeds the value of identifiable acquired assets and assumed liabilities. If the purchase consideration is lower than the fair value of the acquired company's net assets, the difference is recognized directly in profit and loss.

Transactions with non-controlling interests are treated as transactions with the Group's shareholders. This means that, in connection with an acquisition from a non-controlling interest, the difference between the purchase consideration paid and the actual share acquired of the carrying amount of the subsidiary's net assets is recognized in equity. Gains and losses on divestments to non-controlling interests are also recognized in equity.

2019

Acquisitions in the Trelleborg Industrial Solutions business area

Signum Technology Ltd delivers safety-critical solutions for flow control for the oil, gas and petrochemicals industries, such as marine breakaway couplings and LNG transfer systems.

Acquisitions in the Trelleborg Sealing Solutions business area

Sil-Pro, LLC., a US-based privately owned contract manufacturer of high-tolerance silicone and thermoplastic components that also offers assembly for medical devices.

Tritec Seal, a US-based company that offers engineered polytetrafluoroethylene (PTFE) sealing solutions, primarily in rotary seals.

Max Meier AG, Werkzeugbau is a company that develops and manufactures specialized tools for complex two-component products.

Acquisitions in the Trelleborg Wheel Systems business area

Pneus ICM Inc specializes in the distribution and service of industrial tires to customers in eastern Canada.

Provana Solutions srl and Provana Quality Center srl specialize in the distribution and service of tires and complete wheels to tractor dealers and farmers in Italy.

Industrial Tire Solutions specializes in the distribution and service of solid industrial tires to customers in its local area in the US.

Acquisitions in Businesses Under Development

Deep Spring Technology is a leader in innovation and the development of small microspheres that are used in low density materials.

All acquisitions in 2019 refer to 100 percent of the shares in the respective companies.

In addition, certain adjustments were made to the acquisition analyses attributable to acquisitions carried out in 2018.

Acquisitions 2019

SEK M	Acquired 2019 Adjustments of Acquisitions 2018 ¹	Acquired 2018 Adjustments of Acquisitions 2017 ¹
Developed technology ²	14	29
Trademarks ³	65	18
Customer relationships ⁴	635	75
Other intangible assets	–	–
Property, plant and equipment	300	46
Deferred tax assets	9	6
Share of profit or loss in associated companies	–	–
Interest-bearing receivables	22	5
Inventories	207	106
Operating receivables	325	69
Current tax assets	0	2
Cash and cash equivalents	615	42
Deferred tax liabilities	–44	–28
Interest-bearing liabilities	–1,658	–49
Pension obligations	–1	–
Other provisions	0	–1
Current tax liabilities	–18	–
Operating liabilities	–290	–48
Net assets	181	272
Goodwill	1,863	166
Total purchase consideration	2,044	438
Cash and cash equivalents and other net debt in acquired operations	1,022	2
Cash flow effect	3,066	440

¹ Adjustments of previous years' acquisitions are marginal, which is why separate disclosure is not considered to be significant.

² Surplus value of developed technology is amortized over a period of 10–12 years.

³ The trademarks have an indefinite useful life, and are thus not amortized.

⁴ The surplus value of customer relationships is amortized over a period of 10–12 years.

Business combinations for the year contributed SEK 847 M to net sales.

Goodwill of SEK 1,863 M that arose on the basis of acquisitions for the year was primarily attributable to synergy effects expected after completed acquisitions.

The fair value of acquired, identifiable, intangible assets is provisional pending final measurement of these assets.

For more information about these acquisitions, refer to page 35.

Operating assets and liabilities

15 Property, plant and equipment



Accounting policies

Non-current assets comprise amounts expected to be recovered or paid more than 12 months from the closing date. PPE primarily encompasses plants and buildings. PPE is measured at cost less accumulated depreciation and, where applicable, impairment losses. Cost includes expenses directly attributable to the acquisition of the asset. Cost may also include transfers from equity of gains and losses from cash-flow hedges relating to purchases in foreign currency, if these meet the requirements for hedge accounting.

Subsequent expenditure for a PPE is added to the carrying amount or recognized as a separate asset, depending on which is suitable, only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured in a reliable manner. The carrying amount of the replaced portion is derecognized from the balance sheet. All other forms of repairs and maintenance are expensed as incurred.

Depreciation is applied until the estimated residual value is reached. Depreciation is based on cost and is allocated on a straight-line basis over the asset's estimated useful life. The following depreciation rates apply:

Land	Not depreciated
Buildings	1.5–6 percent
Machinery	5–33 percent
Equipment and tools	33 percent
Office equipment	10–20 percent

The residual value and useful life of the assets are assessed on each closing date, and, if necessary, are adjusted. The carrying amount of an asset is immediately impaired to the recoverable value if the carrying amount of an asset exceeds its estimated recoverable value. Gains and losses on disposals are determined by comparing the sales proceeds and the carrying amount, and are recognized in profit and loss as other operating income and other operating expenses, respectively.

Property, plant and equipment

SEK M	2019	2018
Buildings	3,135	2,740
Land and land improvements	1,178	1,054
Plant and machinery	5,053	4,908
Equipment, tools, fixtures and fittings	731	709
New construction in progress and advance payments	1,052	1,201
Total PPE	11,149	10,612
Right-of-use assets	2,157	–
Total	13,306	10,612

For information on Right-of-use assets, see Note 16.

PPE by operating segment

SEK M	2019	2018
Trelleborg Industrial Solutions	2,576	2,422
Trelleborg Sealing Solutions	2,701	2,268
Trelleborg Wheel Systems	4,042	3,786
Group items	314	258
Core businesses	9,633	8,734
Businesses Under Development	1,516	1,878
Group	11,149	10,612

Depreciation of PPE by function

SEK M	2019	2018
Cost of goods sold	–989	–889
Selling expenses	–48	–25
Administrative expenses	–72	–78
Research & development costs	–38	–27
Other operating expenses	–7	–7
Total	–1,154	–1,026

Impairment of PPE by function

SEK M	Impairment losses		Reversed impairment losses	
	2019	2018	2019	2018
Cost of goods sold	–7	–3	–	–
Other operating expenses	–1	–	1	55
Items affecting comparability	–506	–18	68	3
Total	–514	–21	69	58

SEK M	Buildings		Land and land improvements		Plant and machinery		Equipment, tools, fixtures and fittings		Construction in progress and advance payments		Total property, plant and equipment	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Accumulated cost	6,457	5,779	1,247	1,186	17,503	16,045	3,035	2,811	1,159	1,232	29,401	27,053
Accumulated depreciation according to plan	–3,164	–2,883	–52	–49	–11,911	–10,987	–2,286	–2,096	–20	–19	–17,433	–16,034
Accumulated impairment losses	–158	–156	–17	–83	–539	–150	–18	–6	–87	–12	–819	–407
Carrying amount	3,135	2,740	1,178	1,054	5,053	4,908	731	709	1,052	1,201	11,149	10,612
Balance, January 1	2,740	2,620	1,054	1,027	4,908	4,357	709	560	1,201	880	10,612	9,444
Acquisitions	75	28	17	5	127	11	9	2	0	0	228	46
Capital expenditures	73	36	1	3	509	546	80	111	969	1,126	1,632	1,822
Divestments and disposals	0	–12	0	–12	–14	–14	–4	–4	–2	–	–20	–42
Depreciation according to plan for the year	–189	–175	–5	–5	–776	–682	–184	–164	–	–	–1,154	–1,026
Impairment losses for the year	–2	–1	–	–	–420	–9	–15	0	–77	–11	–514	–21
Reversed impairment losses	–	53	67	–	1	4	1	1	–	–	69	58
Reclassifications	342	71	21	2	584	528	118	188	–1,067	–823	–2	–34
Translation difference for the year	96	120	23	34	134	167	17	15	28	29	298	365
Carrying amount	3,135	2,740	1,178	1,054	5,053	4,908	731	709	1,052	1,201	11,149	10,612

16 IFRS 16 Leases



Accounting policies

The Group's lease portfolio mainly comprises leases for offices, production premises, warehouses, company cars and production and office equipment. The most important leases pertain to rent of offices and production premises.

The Group assesses whether a contract is, or contains, a lease at the commencement date. The Group recognizes a right-of-use asset and a corresponding lease liability for all leases for which the Group is the lessee, except for short-term leases (leases with a maximum term of 12 months) and for leases in which the underlying asset is of low value. For leases that meet the criteria of exemption rules, the Group recognizes lease payments over the term of the lease. The lease liability is initially recognized at the present value of the future lease payments that have not been paid at the starting date of the lease, discounted by an incremental borrowing rate that is set quarterly at Group level by country. Lease payments that are included in the measurement of the lease liabilities comprise the following:

- fixed payments, less any benefits in conjunction with the signing of the lease to be obtained,
- variable lease payments that depend on an index or a rate, initially measured using the index or price on the commencement date,
- amounts expected to be paid by the lessee according to residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- penalties arising from the termination of the lease if the term reflects that the lessee will exercise the option to terminate the lease.

For leasing of offices and production premises with an original term of ten years for production premises and five or more years for office premises, the non-cancelable period is not normally assumed to be the same as the period stated in the lease. If the term of the lease is less than the period stated above, an assessment must be made of whether any options for extending the lease will be exercised. Circumstances affecting the assessment include, for example, any investments that the lessee has made in the property. For all other leases, the Group has assumed that no leases will be extended. Lease liabilities are included on the lines for interest-bearing liabilities in the statement

of financial position and are recognized in subsequent periods by the liability being increased to reflect the effect of interest and reduced to reflect the effect of lease payments made. Lease liabilities are restated by a corresponding adjustment of the right-of-use asset in accordance with the rules contained in the standard.

The right-of-use asset is initially recognized at the value of the lease liability, with the addition of lease payments made on or before the initial date of the lease and initial direct payments. The right-of-use asset is recognized in subsequent periods at cost less depreciation and impairment. If the Group incurs obligations for the dismantling of a leased asset, remediation of land or restoration and renovation of an asset to the state agreed in the contract, a provision is recognized for such obligations in accordance with IAS 37. Such provisions are included in the cost of the right-of-use asset insofar as they are not connected with the production of inventory. Right-of-use assets are depreciated over their anticipated useful life, or if it is shorter, over the agreed lease term.

If a lease transfers ownership rights at the end of the lease term or if the cost includes the probable exercise of a call option, the right-of-use asset is depreciated over its useful life. Amortization commences on the start date of the lease. Right-of-use assets are included on the line for PPE in the statement of financial position. The Group applies the principles in IAS 36 for the impairment of right-of-use assets and recognizes this in the same manner as described in the policies for property, plant and equipment recognized in accordance with IAS 16. Variable lease payments that do not depend on an index or rate are not included in the measurement of lease liabilities and right-of-use assets. Such lease payments are recognized as a cost in EBIT in the periods as they arise. The Group applies a practical exemption that entails that service components are not separated from the lease payments for leases that do not pertain to asset classes for office and production premises, unless this is specifically stated in the invoice.

Trelleborg has decided to recognize the transition to IFRS 16 by following the modified retrospective approach. The exemption rule of not preparing a comparative year was applied. The lease liability was valued at the present value of the remaining lease payments using the discount rates applicable at the time and the asset was valued after retrospective restatement from the start of the lease but with a discount rate based on the discount rate on the transition date. For existing finance leases, previously recognized according to IAS 17, closing balances for 2018 have been used as opening balances for 2019.

The table below describes the differences between the Group's operating leases previously recognized according to IAS 17 and recognition of leases under IFRS 16:

SEK M	Total
Commitment for operating leases at December 31, 2018	2,023
Commitment discounted by Group's weighted average incremental borrowing rate ¹	1,741
Leases expensed straight line	-58
Adjustment due to different handling of options to extend or terminate the lease	672
Adjustment due to future changes in lease payments	125
Other	-69
Lease liability recognized on January 1, 2019	2,411

¹ The Group's weighted average incremental borrowing rate was 3.2 percent.

Amounts recognized in balance sheet

Right-of-use assets OB/CB per type of lease

SEK M	Office						Total
	Properties	premises	Cars	Trucks	Machinery	Other	
Balance, January 1	1,234	804	118	58	10	15	2,239
Capital expenditures	75	50	64	8	4	0	201
Acquisitions	70	0	1	1	0	-	72
Depreciation	-213	-121	-64	-19	-6	-2	-425
Revaluations	13	5	0	0	0	-	18
Termination ²	-3	-1	-3	0	-	-	-7
Translation difference for the year	34	21	3	1	0	0	59
Carrying amount	1,210	758	119	49	8	13	2,157

² Included on the line impairment of property, plant and equipment in the consolidated cash-flow statements.

Right-of-use assets are included on the line property, plant and equipment in the balance sheet.

Lease liability recognized in balance sheet

SEK M	Total
Current liabilities	401
Non-current liabilities	1,952
Total	2,353

Lease liabilities are included on the lines interest-bearing current and non-current liabilities in the balance sheet.

Amounts recognized in profit and loss

SEK M	Total
Depreciation of right-of-use assets	425
Interest expenses for lease liabilities	78
Expenses attributable to short-term leases	35
Expenses attributable to low-value leases	16
Expenses attributable to variable lease payments	43

The total cash flow from leases recognized in accordance with IFRS 16 in 2019 was SEK 484 M, of which SEK 406 M referred to operating cash flow and SEK 78 M to financing cash flow.

Futures lease payments

SEK M	Total
Year 1	457
Years 2-5	1,210
Later than 5 years	1,021
Total	2,688

Leases that have not yet commenced.

The expected cash outflow for leases that have not yet commenced as per December 31, 2019 amounted to SEK 37 M.

17 Intangible assets



Accounting policies

Intangible assets primarily comprise goodwill and patents, trademarks and licenses. These are recognized at cost less accumulated amortization and, where applicable, impairment losses. Subsequent expenditure for an intangible asset is added at carrying amount or recognized as a separate asset, depending on which is suitable, only when it is probable that future economic benefits associated with the asset will accrue to the Group and the cost of the asset can be reliably measured. Other expenditure is expensed as incurred.

Goodwill

The amount by which the transferred consideration, any non-controlling interests and the fair value of previous shareholdings on the date of transfer exceeds the fair value of the Group's share of identifiable acquired net assets is recognized as goodwill. Goodwill on acquisitions of subsidiaries is recognized as an intangible asset. Goodwill on acquisition of joint ventures or associated companies is included in the value of the investment in the associated company and is tested, taking into account possible impairment losses, as a portion of the value of the total investment. Goodwill that is recognized separately is tested annually to identify possible impairment losses and is measured at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of a unit include the remaining carrying amount of the goodwill attributable to the disposed unit. In the impairment tests, goodwill is allocated to cash-generating units. The allocation is made between the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination giving rise to the goodwill item. These cash-generating units comprise the Group's investments in each primary segment.

Research and development

Expenditure for research and development is expensed when it arises. Expenditure for development and testing of new or significantly improved materials, products, processes or systems is capitalized once the following criteria have been fulfilled:

- it is technically feasible to complete the asset such that it can be utilized or sold,
- management intends to complete the asset and utilize or sell it,
- there are prerequisites in place to utilize or sell the asset,
- it can be demonstrated that the asset will generate probable, future economic benefits,
- adequate technical, economic and other resources are available to complete the development and to utilize or sell the asset, and
- the expenditure associated with the asset during its development can be calculated in a reliable manner.

Other development expenditure is expensed as incurred. Development expenditure previously expensed is not capitalized in subsequent periods. Capitalized development expenditure is recognized as intangible assets. Capitalized development expenditure has a finite useful life and is amortized straight-line from the point at which commercial

production of the product commences. Amortization is based on the anticipated useful life, normally a period of five years.

Trademarks

The trademarks that are considered to have an indefinite useful life originate from acquisitions. The assessment that the useful life of these trademarks is indefinite is based on the following circumstances:

- The trademarks are regarded as being well established in their respective areas, which the Group intends to retain and develop.
- The trademarks are considered to be of material economic significance as they comprise an integrated part of the product offering to the market by signaling product quality and innovation. Such trademarks are thus deemed to influence the pricing and competitiveness of the products.

Through their connection to ongoing business activities, they are therefore considered to have an indefinite useful life and are expected to be used as long as relevant business operations are being conducted.

Because it has been assessed that the cash flows attributable to the trademarks cannot be separated from other cash flows within the respective cash-generating units, a joint impairment test of both goodwill and trademarks is conducted by estimating the recoverable amount for the cash-generating units to which the goodwill and trademarks are allocated.

Other intangible assets

Other intangible assets include externally acquired assets, such as capitalized IT expenditure, patents, trademarks and licenses. Assets with a finite useful life are measured at cost less accumulated amortization and impairment losses. These intangible assets are amortized straight line over their useful life, normally five to 15 years.

Impairment testing

Assets with an indefinite useful life, for example goodwill, are not amortized but are tested annually for impairment. Assets that are subject to amortization/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognized in the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the highest of fair value less selling expenses and value in use. Value in use refers to the total present value of the estimated future cash flows and the calculated residual value at the end of the useful life. In calculating value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk related to the specific asset, known as WACC (Weighted Average Cost of Capital). The Group bases the calculation on achieved earnings, forecasts, business plans, financial forecasts and market data. For assets dependent on other assets generating cash flow, the recoverable amount is calculated for the smallest cash-generating unit to which the asset belongs. The cash-generating units comprise the Group's operating segments. Impairment losses are reversed if there is a change in the recoverable amount, with the exception of impairment losses on goodwill.



Critical estimates and judgments

The impairment requirement for goodwill implies that goodwill is tested annually in conjunction with the year-end financial statements, or as soon as changes indicate that a risk of impairment exists, such as when the business climate changes or a decision is made on the divestment or closure of an operation. The recoverable amount has been determined on the basis of calculations of value in use. These calculations are based on internal forecasts of the next five years. The most important assessments relate to sales growth during the forecast period and the operating margin trend. The assessments of management are based on both historical experience and current information relating to the market trend. For the Group's core businesses, cash flows after the forecast period were extrapolated using an assumed sustainable rate of growth of 2.0 percent (2.0), which is in line with the assessed sustainable growth rate in the respective market. Changes in working capital and in capital expenditure requirements have also been taken into account. Projected future cash flows according to these assessments thus form the basis for the calculation. When calculating the present

value of future cash flows, a weighted average cost of capital (WACC) of 7.7 percent (7.0) after tax was applied to the Group's core businesses. Since all of these segments have a similar risk profile and operate in the same markets, the risk in the cash flows is similar, which justifies use of the same return requirement. Reconciliation was also conducted against an external assessment of a reasonable cost of capital.

The calculations indicated no need for impairment in any of the business areas in the Group's core businesses, given their conditions. A sensitivity analysis shows that, with a rate of growth reduced by 50 percent beyond the next five years or an increase in the cost of capital of 1 percentage point to 8.7 percent after tax, there would still be no need for impairment for any of the business areas in the Group's core businesses.

Impairment testing also took place in the Businesses Under Development reporting segment. The expected future cash flows formed the basis for the calculation. Both the growth rate after the forecast period applied in the calculation and the WACC differ between the operations in the segment. Based on these assumptions and also considering the estimated market value of the assets, capital employed was impaired by SEK 3,198 M.

Intangible assets

SEK M	2019	2018
Capitalized expenditure ¹	620	567
Goodwill	19,198	19,100
Trademarks with indefinite useful lives	1,851	1,823
Market and customer-related intangible assets	2,565	2,385
Other intangible assets ²	253	238
Total	24,487	24,113

¹ Includes capitalized expenditure for development work and IT.

² Includes concessions, patents, licenses, trademarks and similar rights, and advance payments related to intangible assets.

Intangible assets with indefinite useful lives by operating segment

SEK M	Goodwill		Trademarks	
	2019	2018	2019	2018
Trelleborg Industrial Solutions	5,014	4,150	205	135
Trelleborg Sealing Solutions	8,188	6,955	–	–
Trelleborg Wheel Systems	5,706	5,539	1,385	1,346
Group items	–16	–13	–	–
Core businesses	18,892	16,631	1,590	1,481
Businesses Under Development	306	2,469	261	342
Group	19,198	19,100	1,851	1,823

Impairment of intangible assets by function

SEK M	2019	2018
Items affecting comparability	–2,709	–
Total	–2,709	–

SEK M	Capitalized expenditure		Goodwill		Trademarks with indefinite useful lives		Market and customer-related intangible assets		Other intangible non-current assets		Total intangible non-current assets	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Accumulated cost	1,382	1,201	22,181	19,736	1,937	1,823	3,719	2,988	982	946	30,201	26,694
Accumulated amortization according to plan	–756	–633	–	–	–	–	–864	–603	–699	–679	–2,319	–1,915
Accumulated impairment losses	–6	–1	–2,983	–636	–86	–	–290	–	–30	–29	–3,395	–666
Carrying amount	620	567	19,198	19,100	1,851	1,823	2,565	2,385	253	238	24,487	24,113
Balance, January 1	567	506	19,100	18,127	1,823	1,741	2,385	2,409	238	187	24,113	22,970
Acquisitions	14	29	1,863	166	65	16	635	75	0	2	2,577	288
Divested operations	–	–	–	3	–	–	–	–	–	–	–	3
Capital expenditures	59	32	–	–	–	–	–	–	106	89	165	121
Divestments and disposals	0	0	–	–	–	–	–	–	–1	–2	–1	–2
Amortization according to plan for the year	–106	–87	–	–	–	–	–248	–206	–18	–16	–372	–309
Impairment losses for the year	–5	0	–2,327	–	–86	–	–290	–	–1	0	–2,709	–
Reclassifications	75	64	–	–	–	–	–	–	–73	–30	2	34
Translation difference for the year	16	23	562	804	49	66	83	107	2	8	712	1,008
Carrying amount	620	567	19,198	19,100	1,851	1,823	2,565	2,385	253	238	24,487	24,113
<i>Allocation of amortization for the year according to plan, by function</i>												
Cost of goods sold	–12	–34	–	–	–	–	–93	–68	–4	–5	–109	–107
Selling expenses	–6	–5	–	–	–	–	–13	–8	–1	–1	–20	–14
Administrative expenses	–45	–29	–	–	–	–	–1	–4	–11	–8	–57	–41
Research & development costs	–3	–3	–	–	–	–	–	–	–1	–1	–4	–4
Other operating expenses	–40	–16	–	–	–	–	–141	–126	–1	–1	–182	–143
Total amortization	–106	–87	–	–	–	–	–248	–206	–18	–16	–372	–309

18 Inventories



Accounting policies

Inventories are measured at the lower of cost and net realizable value on the closing date. Cost is calculated according to the first-in/first-out (FIFO) principle. For finished products and work in progress, cost consists of raw materials, direct personnel costs, other direct costs and related indirect production costs. Normal capacity utilization is used in the measurement of inventories. Borrowing costs are not included.



Critical estimates and judgments

The net realizable value is calculated as the estimated selling price less applicable variable selling expenses. Deductions are made for internal gains generated through intra-Group sales.

SEK M	2019	2018
Raw materials and consumables	1,641	1,551
Work in progress	641	616
Finished products and goods for resale	4,053	3,953
Contracted work in progress	9	12
Advances to suppliers	17	10
Total	6,361	6,142

Impairment of obsolete inventories amounted to SEK 493 M (434).

19 Current operating receivables



Accounting policies

Accounts receivable

Accounts receivable are financial assets that are not derivatives with fixed or determinable payments, and which are not quoted in an active market. Accounts receivable are initially measured at fair value and, subsequently, at amortized cost by applying the effective interest method, less any reserve for expected and realized credit losses.

A reserve for expected credit losses is made in accordance with the simplified approach. This means that a reserve for expected credit losses is recognized for the lifetime of the receivable, which is expected to be less than one year for all receivables below. The size of the reserve comprises the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted by the receivable's effective interest rate. The carrying amount of the asset is reduced by using a value depletion account and the loss is recognized under the item "Selling expenses." When a receivable cannot be collected, it is eliminated against the value depletion account for receivables. The reversal of amounts that were previously eliminated is credited under the item "Selling expenses" in the income statement. The following factors are to be taken into consideration when a reserve is made for an expected credit loss:

- Status quo is expected to continue and comprises a good estimate of the future result, but combined with:
- Important changes in the country in which the counterparty conducts its business (for example, reduction in GDP)
- Important changes in the market (for example, major changes in prices of raw materials or lower sales volumes)
- Important changes in the counterparty's business prospects (for example, changes in profitability)

Based on the above, the need for reserves and additional reserves for realized losses is assessed on a case-by-case basis. An assessment is to be made if the total reserve is reasonable in relation to the total outstanding accounts receivable, taking into account past credit losses.

SEK M	2019	2018
Accounts receivable	5,805	5,425
Loss allowance for expected credit losses	-115	-87
Bills receivable	112	123
Operating receivables, associated companies	3	3
Other current receivables	596	589
Derivative instruments (Note 31)	1	1
Prepaid expenses and accrued income (Note 20)	669	603
Total	7,071	6,657

Age analysis of accounts receivable

SEK M	2019	2018
Receivable not yet due	4,888	4,639
Receivables fallen due:		
<30 days	532	477
31–60 days	125	129
61–90 days	60	54
>90 days	200	126
Total	5,805	5,425
Loss allowance for expected credit losses	-115	-87
Total	5,690	5,338

Loss allowance for expected credit losses

SEK M	2019	2018
Opening balance	87	91
Reclassification between balance accounts	0	-1
New provisions recognized in profit and loss	44	25
Utilization of reserve attributable to identified credit loss	-13	-18
Reversals recognized in profit and loss	-5	-12
Acquisitions/divestments	1	-1
Translation difference	1	3
Closing balance	115	87

20 Prepaid expenses and accrued income

SEK M	2019	2018 ¹
Interest	4	0
Pension costs	7	6
Tools	17	10
Derivative instruments (Note 31)	5	19
Accrued but not invoiced income, projects in progress	266	239
Prepaid insurance	69	54
Rents	32	41
Other	269	234
Total	669	603

¹ Figures for 2018 have been reclassified between the lines to improve comparability with 2019.

21 Accrued expenses and prepaid income

SEK M	2019	2018 ²
Interest	30	27
Wages and salaries	1,018	968
Payroll overheads	135	138
Pension costs	12	12
Tools	16	12
Derivative instruments (Note 31)	2	34
Invoiced but not accrued income, projects in progress	127	81
Other overheads	132	142
Other	526	511
Total	1,998	1,925

² Figures for 2018 have been reclassified between the lines to improve comparability with 2019.

22 Contract assets and contract liabilities



Accounting policies

A contract asset is recognized when the Trelleborg Group has delivered products/services to a customer and recognized income but has not yet invoiced the customer. A contract liability is recognized when the Trelleborg Group has received or will receive payment but has not yet delivered the products/services to the customer. Income is recognized when control of the product/service has been transferred to the customer.

Impairment of financial assets recognized at amortized cost

With respect to expected credit losses, the Group applies impairment according to IFRS 9 as of January 1, 2018. No provision for contract assets and liabilities was recognized during the year since the amount was not deemed to be material. The Group tests the need for impairment at the end of every reporting period.

Contract assets ¹

SEK M	2019	2018 ³
Contracted work in progress	249	238
Other contract assets	26	13
Total	275	251

¹ Contract assets are included in Inventories, Note 18, and Prepaid expenses and accrued income, Note 20.

The variation of contract assets depends on the volume of projects during the year.

Contract liabilities ²

SEK M	2019	2018 ³
Advance payment from customers	111	112
Contracted work in progress	94	59
Other contract liabilities	33	22
Total	238	193

² Contract liabilities are included in Accrued expenses and prepaid income, Note 21 and Non-interest-bearing liabilities, Note 23.

The variation of contract liabilities depends on the volume of projects over the years.

Amounts recognized as income during the reporting period and included in contract liabilities at the start of the period.

SEK M	2019	2018 ³
Advance payment from customers	112	106
Contracted work in progress	59	77
Other contract liabilities	22	0
Total	193	183

³ Figures for 2018 have been adjusted to improve comparability with 2019.

Remaining liability to be recognized as income in 2020 amounts to SEK 238 M.

23 Non-interest-bearing liabilities



Accounting policies

Accounts payable are initially recognized at fair value and, thereafter, at amortized cost using the effective interest method.

Other non-current liabilities

SEK M	2019	2018
Other non-interest-bearing liabilities	24	18
Derivative instruments (Note 31)	164	81
Total	188	99

Other current liabilities

SEK M	2019	2018
Advance payment from customers	111	112
Accounts payable	3,375	3,399
Bills payable	12	3
Liabilities to associated companies	1	1
Other non-interest-bearing liabilities	560	559
Derivative instruments (Note 31)	65	42
Accrued expenses and prepaid income (Note 21)	1,998	1,925
Total	6,122	6,041
Total non-interest-bearing liabilities	6,310	6,140

24 Other provisions



Accounting policies

Provisions are recognized when the Group has a legal or constructive obligation resulting from past events and it is probable that payment will be required to meet the obligation, and that the amount can be calculated in a reliable manner. No provisions are made for future operating losses. Provisions are made for environmental activities related to earlier operations when it is probable that a payment liability will arise and when the amount can be estimated with reasonable precision. Provisions are divided into non-current and current provisions.

The provision for restructuring primarily covers costs relating to severance pay and other costs affecting cash flow arising in conjunction with restructuring the Group's operations. Provisions are established when a detailed, formal plan for measures to be undertaken has been established and valid expectations have been raised by those who will be affected by such measures.



Critical estimates and judgments

The amount of provisions for restructuring is based on assumptions and estimations regarding the point in time and cost for future activities, such as the amount of severance payments or other obligations in connection with termination of employment. Calculations of this type of cost are based on the particular situation in the negotiations with the parties concerned.

The Group is involved in a number of disputes and legal proceedings within the framework of its operating activities. Management engages both external and internal legal expertise in these matters. According to assessments made, the Group is not involved in any legal disputes that could entail any major negative effect on the operations or on the financial position.

	Restructuring programs		Other provisions		Total	
SEK M	2019	2018	2019	2018	2019	2018
Opening balance	163	302	353	355	516	657
Reclassification	1	1	-1	-22	0	-21
Reversals	-5	-51	-48	-56	-53	-107
Provisions for the year	142	51	155	153	297	204
Acquisitions for the year	-	-	1	1	1	1
Divestments for the year	-	-	-	-	0	0
Utilized during the year	-103	-147	-74	-91	-177	-238
Translation difference	3	7	8	13	11	20
Closing balance	201	163	394	353	595	516
Of which, non-current provisions					202	227
Of which, current provisions					393	289
Of which, provisions for environmental commitments					58	62

Closing balances for restructuring programs relate to reorganizations and the focusing of operations in the business areas.

Closing balances for other provisions relate primarily to environmental commitments and guarantee provisions.

Capital structure and financing

25 Cash and cash equivalents



Accounting policies

Cash and cash equivalents consist of cash balances and balances with banks and other institutes maturing within three months from the date of acquisition, as well as short-term liquid investments with a maturity, from the date of acquisition, of less than three months, and which are exposed to a minimal risk of fluctuations in value. From January 1, 2018, expected credit losses according to IFRS 9 are recognized on these items classified at amortized cost. The Group applies a rating-based method, refer to the Financial credit risk exposure section in Note 32. Expected credit losses are estimated at the total of the probability for payment cancellation, losses on payment cancellation and exposure on payment cancellation. Forward-looking information is also taken into consideration.

SEK M	2019	2018
Current bank investments	819	742
Cash and bank balances	1,875	1,599
Total	2,694	2,341

The fair value of cash and cash equivalents corresponds to the carrying amount less the loss allowance of SEK 1 M. For more information about credit exposure in cash and cash equivalents, see Note 32.

26 Financial non-current assets



Accounting policies

Financial non-current assets are classified at amortized cost, except for derivative instruments which are measured at fair value. Financial non-current assets classified at amortized cost are initially measured at fair value with additions for transaction costs, less expected credit losses, and are subsequently measured at amortized cost by applying the effective interest method, less any loss allowance. The gross amount reduced by the loss allowance is recognized in the financial statements. Changes in expected credit losses are recognized in profit and loss.

Impairment of financial assets recognized at amortized cost

With respect to expected credit losses, the Group applies impairment according to IFRS 9 as of January 1, 2018. No provision for financial non-current assets was recognized during the year since the amount was not deemed to be material. The Group tests the need for impairment at the end of every reporting period.

SEK M	2019	2018
Plan assets	3	8
Loan receivables	2	2
Derivative instruments (Note 31)	–	22
Non-current bank investments	0	1
Other non-current receivables	41	34
Total	46	67

Carrying amount corresponds to fair value.

27 Interest-bearing receivables

SEK M	2019	2018
Loan receivables	0	0
Derivative instruments (Note 31)	278	69
Current bank investments	8	5
Total	286	74

For reserves for expected credit losses on current bank investments, refer to the description of cash and cash equivalents in Note 25.

28 Equity



Accounting policies

Costs arising in connection with new share issues and the repurchase of equity instruments are recognized directly in equity. The redemption of convertibles and the exercise of share warrants entail new shares being issued while the exercise of call options may entail the utilization of treasury shares. The proceeds from the sale of treasury shares are recognized directly in equity. Holdings of treasury shares reduce profit brought forward. When treasury shares are canceled, the share capital is reduced by an amount corresponding to the par value of the shares and profit brought forward is increased by the corresponding amount. For accounting policies relating to other reserves, see the relevant parts of the description in Note 31.

Specification of other reserves

SEK M	Hedging reserve		Translation reserve		Total	
	2019	2018	2019	2018	2019	2018
Opening balance	–51	–62	2,183	1,286	2,132	1,224
<i>Cash-flow hedges, recognized in other comprehensive income</i>						
Fair value of interest rate swaps	–109	32	–	–	–109	32
Transfers to profit and loss, interest rate swaps	0	13	–	–	0	13
Fair value of foreign-exchange forwards	4	–8	–	–	4	–8
Transfers to profit and loss, foreign-exchange forwards	7	–22	–	–	7	–22
Cash-flow hedges, result for the period	–98	15	–	–	–98	15
<i>Tax, recognized in other comprehensive income</i>						
Tax on fair value	22	–6	–	–	22	–6
Tax on transfers to profit and loss	–2	2	–	–	–2	2
<i>Net investments in foreign currency, recognized in other comprehensive income</i>						
Changes for the period attributable to translation of companies after tax	–	–	1,236	1,395	1,236	1,395
<i>Hedging of net investments, recognized in other comprehensive income</i>						
Fair value of foreign-exchange forwards	–	–	–253	–489	–253	–489
Exchange rate effects, liabilities in foreign currencies	–	–	–137	–131	–137	–131
Hedging of net investments, result for the period	–	–	–390	–620	–390	–620
Tax on hedging of net investments	–	–	61	122	61	122
Closing balance	–129	–51	3,090	2,183	2,961	2,132

Accumulated translation differences are recognized from January 1, 2004.

Of transfers from the hedging reserve to profit and loss in 2019, SEK 0 M (13) caused a decline in the Group's financial interest expenses and SEK 7 M (caused an improvement: 22) reduced other operating income and operating expenses. These effects are offset by earnings effects from the hedged items. A transfer to profit and loss of the full amount took place due to the hedged item impacting profit and loss. All amounts in the hedging reserve pertain to ongoing hedges. Effects of hedging instruments that have matured remain in the translation reserve.

The Board of Directors proposes a cash dividend of SEK 4.75 per share (4.75), a total of SEK 1,288 M (1,288).

Trelleborg AB's share capital at December 31, 2018 amounted to SEK 2,620,360,569, represented by 271,071,783 shares with a par value of SEK 9.67 each.

Class of share	No. of shares	% of total	No of votes	% of total
Series A	28,500,000	10.51	285,000,000	54.02
Series B	242,571,783	89.49	242,571,783	45.98
Total	271,071,783	100.00	527,571,783	100.00

Change in total number of shares	2019	2018
January 1	271,071,783	271,071,783
Change during the year	–	–
December 31	271,071,783	271,071,783

No treasury shares are held.

29 Interest-bearing liabilities



Accounting policies

Borrowings are initially measured at fair value, net, after transaction costs and, subsequently, at amortized cost. Any difference between the amount received and the amount to be repaid is recognized in profit and loss over the loan period by applying the effective interest method. Borrowings are classified as interest-bearing non-current or current liabilities in the balance sheet.

The Group has entered into leases in accordance with IFRS 16. Lease liabilities are included on the lines non-current and current interest-bearing liabilities in the balance sheet. For accounting policies relating to lease liabilities, refer to Note 16.

For accounting policies relating to derivative instruments, refer to Note 31.

Interest-bearing non-current liabilities

SEK M	2019	2018
Liabilities to credit institutions	11,016	9,223
Other interest-bearing liabilities	25	84
Lease liability acc. to IFRS 16	1,952	–
Derivative instruments (Note 31)	70	60
Total	13,063	9,367

Interest-bearing current liabilities

SEK M	2019	2018
Liabilities to credit institutions	3,368	2,625
Bank overdraft facilities	276	275
Other interest-bearing liabilities	38	43
Lease liability acc. to IFRS 16	401	–
Derivative instruments (Note 31)	151	85
Total	4,234	3,028
Total interest-bearing liabilities	17,297	12,395

Financial interest-bearing liabilities, except financial derivatives that adjust the loans, are recognized at amortized cost. Changes in interest rates and credit margins create differences between fair value and amortized cost. A calculation at fair value would increase the Group's non-current loans by SEK 68 M. The Group's current loans were not remeasured because the carrying amount is considered to be a good estimation of the fair value due to their short maturity.

The table below shows the currency distribution, average interest rates and fixed-interest terms for the Group's interest-bearing liabilities, including the effect of derivative instruments. Lease liabilities according to IFRS 16 are excluded.

Currency distribution, average interest rates and fixed-interest terms at December 31, 2019.

	Amount SEK M		Effective interest rate, %		Fixed-interest term adjusted for any derivatives. No. of days	
	2019	2018	2019	2018	2019	2018
EUR	8,117	6,687	1.1	1.4	542	712
GBP	1,100	446	1.9	2.5	297	737
SEK	–118	–1,612	–7.2	–0.9	–6,268	–538
USD	4,622	5,200	3.1	3.6	694	763
Other	1,223	1,674	2.7	1.2	12	29
Total	14,944	12,395	2.0	2.6	581	805
Lease liability acc. to IFRS 16	2,353	–				
Total interest- bearing liabilities	17,297	12,395				

As of 2019, interest-bearing liabilities include a lease liability in accordance with IFRS 16 and interest expenses for the liability are recognized as a financial expense. The most important leases pertain to rent of offices and production premises. Interest rate risk pertaining to these leases are primarily an effect of discounting when the lease is signed and interest rate changes do not govern the actual cash flow linked to the leases. Only a small portion of the lease liability has interest rate risk connected to the leases.

The Group's interest-bearing liabilities (utilized amounts at closing date)

	2019		2018	
	SEK M	Expiry, year	SEK M	Expiry, year
Non-current				
Syndicated loan, USD tranche USD 625 M	2,744	2024	–	–
Syndicated loan, EUR tranche EUR 529 M	–	–	153	2020
Syndicated loan, USD tranche USD 563 M	–	–	2,140	2020
Medium Term Note SEK 750 M	750	2024	–	–
Medium Term Note SEK 502 M	502	2021	–	–
Medium Term Note SEK 550 M	549	2021	549	2021
Medium Term Note SEK 450 M	449	2021	449	2021
Medium Term Note SEK 300 M	300	2022	300	2022
Medium Term Note SEK 200 M	200	2022	200	2022
Medium Term Note SEK 300 M	300	2023	300	2023
Medium Term Note SEK 504 M	–	–	504	2020
Medium Term Note EUR 50 M	522	2029	–	–
Medium Term Note EUR 50 M	521	2021	513	2021
Medium Term Note EUR 45 M	470	2021	462	2021
Bilateral money market loan EUR 150 M	1,565	2026	1,541	2026
Schuldscheindarlehen EUR 24.5 M + EUR 55 M	829	2021	817	2021
Schuldscheindarlehen EUR 77 M + EUR 20 M	1,012	2023	997	2023
Schuldscheindarlehen EUR 29 M	303	2026	298	2026
Lease liability acc. to IFRS 16	1,952	2021–2109	–	–
Capitalized borrowing costs	–27	2021–2029	–12	2020–2026
Other interest-bearing liabilities	52	2021	96	2020
Derivative instruments	70	2021	60	2021
Total non-current	13,063		9,367	
Current				
Commercial paper program	2,579	2020	1,680	2019
Syndicated loan, USD tranche USD 62 M	–	–	255	2019
Schuldscheindarlehen EUR 14 M	–	–	144	2019
Medium Term Note SEK 501 M	–	–	501	2019
Medium Term Note SEK 504 M	504	2020	–	–
Lease liability acc. to IFRS 16	401	2020	–	–
Bank overdraft facilities	276	2020	275	2019
Other current loans	285	2020	45	2019
Other interest-bearing liabilities	38	2020	43	2019
Derivative instruments	151	2020	85	2019
Total current	4,234		3,028	
Total	17,297		12,395	

Loan facilities ¹

SEK M	2019			2018		
	Total	Utilized	Unutilized	Total	Utilized	Unutilized
Committed loan facilities						
Syndicated loan EUR 560 M + USD 625 M ²	–	–	–	11,361	2,548	8,813
Syndicated loan EUR 450 M + USD 625 M (expires 2024)	10,518	2,745	7,773	–	–	–
Syndicated loan CZK 6,750 M (expires 2024)	2,766	–	2,766	2,687	–	2,687
Bilateral credit facilities	–	–	–	771	–	771
Overdraft facilities (expire 2020)	390	27	363	385	75	310
Total	13,674	2,772	10,902	15,204	2,623	12,581
Uncommitted loan facilities						
Bilateral credit facilities	1,565	–	1,565	–	–	–
Bank overdraft facilities	1,720	248	1,472	1,507	200	1,307
Total	3,285	248	3,037	1,507	200	1,307
Total credit facilities	16,959	3,020	13,939	16,711	2,823	13,888

The EUR 450 M and USD 625 M syndicated loan maturing in 2024, and czk 6,750 M syndicated loan maturing in 2024 are both subject to a financial covenant that stipulates a maximum debt/equity ratio (indebtedness excluding lease recognized in accordance with IFRS 16 and pension liabilities). At year-end 2019, there was ample headroom in relation to these covenants.

¹ Loan facilities are defined as committed if they are confirmed in writing and subject to a firm commitment to lend by the facility provider.

² The loan facility was refinanced in 2019.

30 Financial instruments – classification and valuation



Accounting policies

A financial asset or liability is initially recognized in the balance sheet when the company becomes a party to the contractual conditions of the instrument. A financial asset is derecognized from the balance sheet when all benefits and risks associated with ownership have been transferred. A financial liability is derecognized from the balance sheet when the obligations of the contract have been met, or otherwise extinguished.

Financial instruments are initially measured at fair value and, subsequently, at fair value or accumulated amortized cost, depending on their classification. All financial derivatives are measured at fair value. The purchase and sale of financial assets is recognized on the transaction date, which is the date the Group undertakes to purchase or sell the asset. From January 1, 2018, the Group applies the policy of recognizing a loss allowance for financial assets and receivables classified at amortized cost.

Some measurements are conducted according to the effective interest method. The effective interest rate is the rate that, on discounting of all future anticipated cash flows over the expected term, results in the initially recognized value of the financial asset or the financial liability.

Classification of financial instruments – financial assets

Debt instruments

Classification of financial assets that are debt instruments is based on the Group's business model for the management of the asset and the characteristics of the asset's contractual cash flows.

Instruments are classified at:

- amortized cost
- fair value through other comprehensive income, or
- fair value through profit and loss

Financial assets classified at amortized cost are initially measured at fair value plus transaction costs. Accounts receivable are initially recognized at the invoice amount. After initial recognition, the assets are measured according to the effective interest method. Assets classified at amortized cost are held under the business model of collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The assets are covered by a reserve for expected credit losses (loss allowance).

The Group does not have any assets classified at fair value through other comprehensive income or through profit and loss.

Fair value through profit and loss is all other debt instruments that are not measured at amortized cost or fair value through other comprehensive income. Financial instruments in this category are initially measured at fair value. Changes in the fair value are recognized in profit and loss. The Group's debt instruments are classified at amortized cost, except for debt instruments held for trading.

Equity instruments

Classified at fair value through profit and loss.

Derivatives

Classified at fair value through profit and loss except if they are classified as hedging instruments in cash-flow hedges or hedges of net investments in foreign operations when the effective portion of the hedge is then recognized in "Other comprehensive income."

Classification of financial instruments – financial liabilities

Debt instruments

Classified at amortized cost except for derivatives. Financial liabilities recognized at amortized cost are initially measured at fair value including transaction costs. After initial recognition, they are measured at amortized cost according to the effective interest method.

Derivatives

Classified at fair value through profit and loss except if they are classified as hedging instruments in cash-flow hedges or hedges of net investments in foreign operations when the effective portion of the hedge is then recognized in "Other comprehensive income."

Loss allowance for expected credit losses

The Group's financial assets and receivables, except for those classified at fair value through profit and loss, are subject to impairment for expected credit losses. Impair-

ment for credit losses under IFRS 9 includes forward-looking factors and a loss allowance is established when there is exposure to credit risk, already in connection with initial recognition.

Expected credit losses reflect the present value of all deficits in cash flows attributable to payment cancellations. Expected credit losses reflect an unbiased and probability-weighted amount that considers range of possible outcomes based on reasonable and supportable forward-looking information.

The modified retrospective approach is applied to accounts receivable. Under this approach, a loss allowance is recognized for the expected lifetime of the receivable or asset. Refer to Note 19.

For other items covered by expected credit losses, a three-stage impairment model is applied. Initially, and on each closing date, a loss allowance is recognized for the next 12 months, or for a shorter period of time depending on the lifetime (stage 1). If there has been a material increase in credit risk since initial recognition, a loss allowance is recognized for the asset's lifetime (stage 2). For assets that are considered to be credit-impaired, lifetime expected credit losses continue to be recognized (stage 3), but interest income is based on the net of the loss allowance. The Group has defined a receivable as credit-impaired if the receivable is more than 90 days overdue for payment or if other factors indicate that the receivable is credit-impaired. A material increase in credit risk is defined as a payment delay of more than 30 days, or a significant reduction in credit rating that no longer entails an investment grade rating.

The measurement of expected credit losses is based on different methods for different types of credit exposure, refer to the description in the relevant note. In general, any significantly credit-impaired assets and receivables are assessed individually, taking into account past, current and forward-looking information. The measurement of expected credit losses also considered any collateral or other credit enhancement in the form of guarantees. Loss allowances were established for cash and cash equivalents and accounts receivable. The Group writes off assets and receivables when there is no longer any reasonable expectation of receiving any additional payment for the asset or receivable.

The financial assets are recognized in the balance sheet at amortized cost, meaning the net of the gross amount and the loss allowance. Changes in the loss allowance are recognized in profit and loss in EBIT for accounts receivable and as financial expenses or income for other provisions.

The Group's credit exposure is presented in Note 32 and in Note 19.

Calculation of fair value

The fair value of listed financial instruments is based on the appropriate market quotation on the closing date. For unlisted financial instruments, or if the market of a certain financial asset is not active, the value is determined by applying recognized measurement techniques, whereby the Group makes assumptions that are based on the market conditions prevailing on the closing date. Market rates form the basis for the calculation of fair value of long-term loans. For other financial instruments with no specified market value, the fair value is deemed to correspond to the carrying amount.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are measured at the exchange rate prevailing on the closing date. Exchange rate differences on operating receivables and operating liabilities are included in EBIT, while exchange rate differences on financial receivables and liabilities are classified as financial items. See also Note 1 for translation of foreign currencies.

Offsetting of financial instruments

Financial assets and liabilities are offset and recognized at net amount in the balance sheet only when a legal right exists to offset the recognized amount and there is an intention to settle the amount net, or simultaneously realize the asset and settle the liability. This legal right may not be dependent on future events and it must be legally binding for the company and the counterparty in the normal business operations and also in the event of payment cancellation, insolvency or bankruptcy.

To limit credit risks in receivables from banks related to derivative instruments, Trelleborg has entered into netting agreements, under ISDA agreements. Financial assets and liabilities are not netted in the balance sheet.

Other financial instruments

Accounting policies for the financial instruments not addressed here can be found under the relevant note.

Classification of financial assets

At December 31, 2019	Assets measured at amortized cost		Assets at fair value through profit and loss		Derivatives used for hedging purposes, measured at fair value	
	Carrying amount	Carrying amount	Measure-ment level	Carrying amount	Measure-ment level	Total
	SEK M					
<i>Assets in the balance sheet</i>						
Derivative instruments	–	84	2	200	2	284
Financial non-current assets	46	–		–		46
Accounts receivable	5,690	–		–		5,690
Interest-bearing receivables	8	–		–		8
Cash and cash equivalents	2,694	–		–		2,694
Total	8,438	84		200		8,722

Classification of financial assets

At December 31, 2018	Assets measured at amortized cost		Assets at fair value through profit and loss		Derivatives used for hedging purposes, measured at fair value	
	Carrying amount	Carrying amount	Measure-ment level	Carrying amount	Measure-ment level	Total
	SEK M					
<i>Assets in the balance sheet</i>						
Derivative instruments	–	33	2	78	2	111
Financial non-current assets	45	–		–		45
Accounts receivable	5,338	–		–		5,338
Interest-bearing receivables	6	–		–		6
Cash and cash equivalents	2,341	–		–		2,341
Total	7,730	33		78		7,841

Classification of financial liabilities

At December 31, 2019	Liabilities measured at amortized cost		Liabilities at fair value through profit and loss		Derivatives used for hedging purposes, measured at fair value	
	Carrying amount	Carrying amount	Measure-ment level	Carrying amount	Measure-ment level	Total
	SEK M					
<i>Liabilities in the balance sheet</i>						
Derivative instruments	–	222	2	230	2	452
Interest-bearing non-current liabilities	11,004	37	3	–		11,041
Interest-bearing current liabilities	3,643	39	3	–		3,682
Lease liability acc. to IFRS 16	2,353	–		–		2,353
Accounts payable	3,375	–		–		3,375
Total	20,375	298		230		20,903

Classification of financial liabilities

At December 31, 2018	Liabilities measured at amortized cost		Liabilities at fair value through profit and loss		Derivatives used for hedging purposes, measured at fair value	
	Carrying amount	Carrying amount	Measure-ment level	Carrying amount	Measure-ment level	Total
	SEK M					
<i>Liabilities in the balance sheet</i>						
Derivative instruments	–	138	2	164	2	302
Interest-bearing non-current liabilities	9,227	80	3	–		9,307
Interest-bearing current liabilities	2,900	43	3	–		2,943
Accounts payable	3,399	–		–		3,399
Total	15,526	261		164		15,951

Measurement techniques used to measure fair values in Level 2

Derivatives in Level 2 comprise foreign-exchange forwards and interest rate swaps, and are primarily used for hedging purposes, but also for trading. Fair-value measurement for foreign-exchange forwards is based on published forward rates in an active market and on discounted contractual cash flows. Measurement of interest rate swaps is based on forward interest rates based on observable Swedish yield curves and discounting of contractual cash flows.

Measurement techniques used to measure fair values in Level 3

Interest-bearing non-current and current liabilities include additional purchase payments according to contract of SEK 37 M (80) and SEK 39 M (43), respectively. An assessment of the most likely outcome has been performed and the present value of this amount has been calculated.

Disclosures on fair value of borrowing and other financial instruments

Financial interest-bearing liabilities, except derivatives, are recognized at amortized cost. Changes in interest rates and credit margins create differences between fair value and amortized cost. A calculation at fair value would increase the Group's non-current loans by SEK 68 M. The Group's current loans were not remeasured because the carrying amount is considered to be a good estimation of the fair value due to their short maturity.

Offsetting of financial derivative instruments

To limit credit risks in receivables from banks related to derivative instruments, Trelleborg has entered into netting agreements, under ISDA agreements.

The disclosures in the table below include financial assets and liabilities that are subject to legally binding framework agreements on netting or similar agreements that cover financial instruments.

SEK M	At December 31, 2019			At December 31, 2018		
	Financial assets	Financial liabilities	Total	Financial assets	Financial liabilities	Total
Gross amount	284	–452	–168	111	–302	–191
Amount offset	–	–	–	–	–	–
Recognized in balance sheet	284	–452	–168	111	–302	–191
Amounts encompassed by netting agreements	–236	236	0	–102	102	0
Net amount after netting agreements	48	–216	–168	9	–200	–191

31 Financial derivative instruments and other hedging instruments

Accounting policies

Derivatives are recognized in the balance sheet from the contract date and are measured at fair value, both initially and in subsequent remeasurement. The method for recognizing the gains or losses arising in connection with remeasurement depends on whether or not the derivatives have been identified as a hedging instrument and whether this is a hedge of fair value, cash flow or net investment.

Derivatives not identified as hedging instruments are classified in the balance sheet as financial assets and liabilities measured at fair value through profit and loss. Gains and losses resulting from changes in fair value are recognized as financial items in profit and loss in the period in which they occur.

Hedge accounting

The Group applies hedge accounting according to IFRS 9 for financial instruments intended to hedge future commercial cash flows in foreign currency, cash flows in future interest payments on the Group's borrowing and net investments in foreign operations.

When entering into the transaction, the relationship between the hedging instrument and the hedged item or transaction is documented, as is the objective of risk management and the strategy according to which various hedging measures are implemented. Both at the inception of the hedging transaction and on an ongoing basis, the Group also documents its assessment as to whether or not the derivatives used for the hedging transaction are efficient in terms of offsetting changes in the fair value of the hedged items or in terms of the cash flows pertaining to them.

Hedges are designed so that they can be expected to be effective, meaning that an economic relationship is expected to exist by the hedging instrument offsetting changes in fair value or the cash flow of the hedged item. This economic relationship is established mainly through qualitative analysis of critical terms in the hedging relationship. If changes in circumstances affect the hedging relationship such that the critical terms no longer match, the Group uses quantitative methods (the dollar offset method) to evaluate effectiveness. Sources of hedge ineffectiveness are stated below under each type of hedge. The Group determines the hedge ratio between the hedging instrument and the hedge item, based on the hedge ratios existing for the actual hedges. The hedge quote is 1:1 for all of the Group's hedging relationships where hedge accounting is applied.

Changes in the fair value of hedging instruments not meeting the requirements for hedge accounting are recognized directly in profit and loss.

Hedging of future commercial cash flows in foreign currencies

To hedge future forecast and contracted commercial cash flows, both within the Group and externally, the Group has secured foreign-exchange forward contracts. The effective portion of changes in the fair value of hedging instruments is recognized in other comprehensive income. The gain or loss attributable to any ineffective portion is recognized directly in EBIT in profit and loss. Accumulated amounts in equity are transferred back to profit and loss in the periods in which the hedged item affects profit, such as when the forecast external sale takes place.

When a hedging instrument expires or is sold, or when the hedge no longer meets the requirements for hedge accounting, accumulated gains or losses remain in equity and are recognized as income/loss at the same time as the forecast transaction is finally recognized in profit and loss. If a forecast transaction is no longer expected to take place, the accumulated gain or loss recognized in equity is immediately transferred to profit and loss.

Source of hedge ineffectiveness include the impact of the parties' credit rating in the

measurement of the hedging instrument and not perfectly matching cash flows between the hedging instrument and hedged commercial cash flows. The Group believes that the sources of hedge ineffectiveness are not material given Trelleborg's credit rating and that of its counterparties, and since procedures are in place for reporting and monitoring forecast flows compared with outcomes. The Group normally hedges only a portion of forecast cash flows.

Hedging of cash flows in future interest payments on Group borrowing

The Group secures interest-rate derivatives to ensure the required interest rate on the Group's net debt. Amounts to be paid or received in relation to interest rate derivatives are recognized on an ongoing basis as interest income or interest expense. Changes in the fair value of hedging instruments are recognized in equity until the maturity date. Any ineffective portion is recognized directly in profit and loss. If the loan, and consequently, future interest payments, ceases to exist, the accumulated gain or loss recognized in equity is transferred immediately to profit and loss.

Sources of hedge ineffectiveness include the impact of the parties' credit rating in the measurement of the hedging instrument and not perfectly matching cash flows between the hedging instrument and hedged cash flows due to different points in time for determining the reference rate or time of the interest payment. The Group believes that the sources of hedge ineffectiveness are not material given Trelleborg's credit rating and that of its counterparties, and since reference rates and payments are determined at a close point in time.

Trelleborg applies hedge accounting on IBOR-related flows. The IASB has amended IFRS 9 so that companies are not compelled to discontinue hedge accounting due to the uncertainty surrounding the transition to new interest rate benchmarks. The Group has decided to apply in advance the amendments to IFRS 9 due to the future change in interbank offered rates, "Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39, and IFRS 7." This change did not have any impact on the financial statements.

Hedging of net investments in foreign operations

The Group makes use of loans in foreign currency and forward contracts as hedging instruments for hedging net investments in foreign subsidiaries. These loans are valued at the exchange rate of the closing date and the forward contracts are measured at fair value. If effective hedging relationships exist, the changes in exchange rates on the loans and the change in the value of the forward contracts, excluding the forward premium, are recognized in other comprehensive income and accumulated in equity, translation reserve. Any inefficiency in the hedging instrument is recognized directly in profit and loss as a financial item. Accumulated gains and losses in equity are recognized in profit and loss when the foreign operations are disposed of.

Sources of hedge ineffectiveness include the risk that the hedged volume in the hedging instrument could exceed the net investment. The Group continuously reconciles the currency exposure in the net investments and hedge accounting is applied to a specific percentage of the total exposure, which is why the risk of ineffectiveness is deemed to be low.

Realized exchange rate differences on borrowings and forward contracts are recognized in the cash-flow statement in the section "Financing activities."

Loans defined as net investments

The Group has borrowings in foreign currency with certain subsidiaries where the loans represent a permanent part of the Parent Company's financing of the subsidiary. Loans are recognized at the closing rate, with exchange rate differences on these loans recognized in other comprehensive income and cumulated in equity, translation reserve.

The table below shows where the Group's financial derivative instruments are recognized in the balance sheet.

Specification of derivatives in the balance sheet, SEK M	2019	2018
Financial non-current assets	–	22
Prepaid expenses and accrued income	5	19
Current operating receivables	1	1
Interest-bearing receivables	278	69
Total receivables, financial derivatives	284	111
Other non-current liabilities	164	81
Interest-bearing non-current liabilities	70	60
Accrued expenses and prepaid income	2	34
Other current operating liabilities	65	42
Interest-bearing current liabilities	151	85
Total liabilities, financial derivatives	452	302

For credit exposure in derivatives, see Note 32.

Derivative instruments are used mainly to hedge the Group's exposure to fluctuations in exchange rates and interest rates. The Group also uses derivative instruments for proprietary trading within the framework of mandates set by the Board. In cases where available forms of borrowing do not meet the desired structure of the loan portfolio with regard to interest rate and foreign-exchange considerations, various derivative instruments are used.

Currency and basis swaps are used to secure the desired financing adapted to the subsidiaries' currencies. Interest rate swaps and basis swaps are used to obtain the desired fixed-interest terms.

Foreign-exchange forwards are used to hedge currency exposure in fixed undertakings of a project-like nature. Calculated future commercial flows are not hedged from autumn 2018.

Investments in foreign subsidiaries, associated and joint ventures may be hedged. Hedging is effected mainly through corresponding borrowing in the same currency, but may also be secured through forward contracts.

SEK M	2019		2018	
Type and purpose of Group's financial derivative instruments	Assets Fair value	Liabilities Fair value	Assets Fair value	Liabilities Fair value
Interest rate swaps – cash-flow hedging	–	225	22	120
Foreign-exchange forwards – cash-flow hedging	5	2	19	33
Foreign-exchange forwards – net investment hedging	195	3	36	10
Basis swap contracts – financing of subsidiaries	1	71	1	96
Foreign-exchange forwards – financing of subsidiaries	83	151	33	43
Total	284	452	111	302

The nominal amount of interest rate swaps outstanding totaled SEK 5,632 M (5,751).

Derivatives with hedge accounting

Cash-flow hedging – Interest rate swaps

In the closing balance of the hedging reserve in equity, a negative SEK 168 M (neg: 59) before tax relates to the fair value of interest rate swaps.

At unchanged interest and exchange rates, this value will impact earnings by SEK –3 M in 2020, by SEK –8 M in 2021, by SEK –24 M in 2022, by SEK –20 M in 2023, by SEK –19 M in 2024, by SEK –46 M in 2025, by SEK –48 M in 2026. These effects are offset by earnings effects from the hedged items.

Cash-flow hedges – Foreign-exchange forwards

The fair-value closing balance of cash-flow hedges relating to foreign-exchange forwards attributable to transaction exposure and recognized in the hedging reserve amounted to a positive net of SEK 4 M (neg: 7).

At unchanged exchange rates, a transfer of SEK 4 M will be made in profit and loss in 2020 and SEK 0 M in 2021, which will be offset by the earnings effects from the hedged transactions.

Sensitivity analysis – Financial instruments

Sensitivity analyses relating to interest rate risks and translation risks are presented in Note 32.

If cash-flow hedges related to transaction exposure were valued using exchange rates applicable on December 31, 2018, the fair value would amount to SEK 0 M (13), of which SEK 0 M (13) would be included in the hedging reserve.

Taking into account implemented hedging measures, the Group has no currency risk in other financial receivables and liabilities in foreign currencies.

Maturity analysis of hedging instruments

Hedging instrument identified in hedging relationships at December 31, 2019

SEK M	Maturity				Total nominal amount
	Within 3 months	3 months – 1 year	1–3 years	3–8 years	
Hedging instruments – hedge accounting applied					
Interest rate swaps – cash-flow hedging					
Nominal amount ¹ (average fixed interest)	–417 (2.08)	–531 (2.50)	–1,766 (2.37)	–2,918 (1.77)	–5,632
Foreign-exchange forwards – net investment hedging					
EUR/SEK Nominal amount ¹ (average spot rate)	–5,352 (10.68)	–	–	–	–5,352
CZK/SEK Nominal amount ¹ (average spot rate)	–1,802 (0.41)	–	–	–	–1,802
Other Nominal amount ¹	–1,048	–	–	–	–1,048
Liabilities – net investment hedging					
EUR liability, nominal amount ¹ (spot rate on closing date)	–	–	–	–2,087 (10.24)	–2,087
USD liability, nominal amount ¹ (spot rate on closing date)	–792 (9.70)	–	–	–	–792

¹ Translated to SEK M at exchange rate on closing date.

Hedge effectiveness

Effects of hedge accounting on financial position and profit or loss	Hedging instrument identified in hedging relationships at December 31, 2019			Period – change in fair value for measuring ineffectiveness	
	Nominal amount	Carrying amount	Item in balance sheet	Hedging instruments	Hedged item
<i>Interest rate swaps – cash-flow hedging</i>					
Interest rate swaps Nominal amount ¹	–5,632	–168	Financial non-current assets, Other non-current liabilities and Other current operating liabilities	–109	–109
<i>Foreign-exchange forwards – net investment hedging</i>					
EUR/SEK Nominal amount ¹	–5,352	125	Interest-bearing receivables and Interest-bearing liabilities	–134	–134
CZK/SEK Nominal amount ¹	–1,802	18	Interest-bearing receivables and Interest-bearing liabilities	–77	–77
Other Nominal amount ¹	–1,048	47	Interest-bearing receivables and Interest-bearing liabilities	–42	–42
<i>Liabilities – net investment hedging</i>					
EUR liability, nominal amount ¹	–2,087	–2,087	Interest-bearing non-current liabilities	–32	–32
USD liability, nominal amount ¹	–792	–792	Interest-bearing non-current liabilities	–100	–100
GBP liability, nominal amount ¹	–	–	Interest-bearing non-current liabilities	–5	–5

¹ Translated to SEK M at exchange rate on closing date.

The hedge quote is 1:1 for all of the Group's hedges. The Group did not recognize any ineffectiveness in profit or loss during the year.

The fair-value closing balance of cash-flow hedges relating to foreign-exchange forwards attributable to transaction exposure and recognized in the hedging reserve amounted to a negative net of SEK 4 M before tax. The Group has decided that from autumn 2018 it will no longer hedge estimated future commercial flows, which means that exchange rate fluctuations will immediately impact the Group's earnings instead of affecting the Group's earnings with a delay corresponding to the currency hedges as was previously the case. Major currency exposures related to long-term contracts of a project nature will be hedged in their entirety.

Financial risks

32 Financial risk management

Financial risks

Financial risks mainly include financing risk, liquidity risk, interest rate risk, foreign exchange risk and financial credit risk. A description of the Group's financial risks and the policy, which is adopted by the Board, applied to each risk area is presented below. Commentary is also provided on the outcome for the year for each risk area.

Financing risk and liquidity risk

Financing risk is the risk that the refinancing of maturing loans may become difficult or costly. Liquidity risk refers to the risk of not being able to fulfill payment obligations as they fall due.

Policy

Committed credit facilities with a term of at least 12 months must be in an amount equivalent to the Group's gross debt plus a liquidity reserve corresponding to at least 3 percent of consolidated net sales. The average remaining weighted term of committed credit facilities must also never be less than 18 months.

Commentary

Trelleborg commands a broad funding base with good access to the money and debt capital markets. The Group has mainly accessed the bank loan market via a syndicated multicurrency revolving credit facility comprising two tranches in EUR 450 M (SEK 4,695 M) and USD 625 M (SEK 5,823 M) and including a swingline facility denominated in SEK. On account of Trelleborg's significant presence in the Czech Republic, there is also a syndicated facility in czk. Trelleborg is present in the money markets through its SEK 5,000 M Swedish Domestic Paper Program under which a pleasing level of issuance was maintained throughout 2019. Over the years, Trelleborg has successfully tapped the debt capital markets through issuance under its SEK 8,000 M Swedish Domestic Medium Term Note Program and a number of Schuldschein issues, thus building a broad investor base in Europe and Asia.

The Group monitors its liquidity reserve, debt maturity term structure and key capital structure ratios on an ongoing basis.

Throughout 2019, the volume of the Group's committed credit facilities exceeded the aggregate of gross debt plus liquidity reserve as stipulated in the policy. Credit facilities are defined as committed when they are the subject of a firm commitment to lend by the facility provider. Trelleborg's committed credit facilities totaled SEK 13,674 M (15,204) per December 31, 2019 of which SEK 10,902 M (12,581) was utilized. At year-end 2019, the Group's committed credit facilities included its primary EUR 450 M and USD 625 M syndicated multicurrency revolving credit facility. This facility was entered into in February 2019 and will mature in 2024. The facility can thereafter be extended by one or two years subject to agreement with the lenders. The facility is provided by a total of 13 financial institutions from Europe, Asia and the US. Based on the number of participating banks and their status, Trelleborg deems that the banking syndicate behind the facility is strong. The facility denominated in czk amounts to czk 6,750 M and will mature in May 2024.

The remainder of the Group's committed credit facilities per end 2019 consisted principally of Medium Term Notes and Schuldscheindarlehen with tenors to maturity of up to ten years.

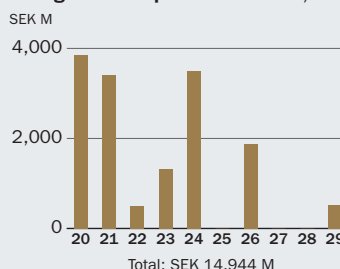
On January 2, 2019, Trelleborg issued a Medium Term Note with a ten-year tenor for a nominal EUR 50 M.

On July 12, 2019, Trelleborg issued a Medium Term Note with a two-year tenor for a nominal SEK 500 M.

On October 17, 2019, Trelleborg issued a Medium Term Note with a five-year tenor for a nominal SEK 750 M.

Including the lease liability according to IFRS 16 of SEK 2,353 M and pension liability of SEK 600 M, interest-bearing liabilities amounted to SEK 17,897 M per December 31, 2019. Excluding the impact of the lease liability and pension liabilities, interest-bearing liabilities totaled SEK 14,944 M (12,395) and comprised current liabilities (maturing in 2020) of SEK 3,833 M (3,028) and non-current liabilities (maturing after 2020) of SEK 11,111 M (9,367). Current liabilities consisted mainly of outstanding Commercial Paper of SEK 2,579 M (1,680) and a Medium Term Note of SEK 504 M (501). The aggregate of these current liabilities was backstopped through the undrawn portion of the Group's EUR 450 M and USD 625 M syndicated multicurrency revolving credit facility. Non-current liabilities mainly comprised the utilized portion of the Group's EUR 450 M and USD 625 M syndicated multicurrency revolving credit facility, Medium Term Notes and Schuldscheindarlehen. The maturity term of the Group's interest-bearing liabilities, excluding the lease liability according to IFRS 16 and pension liabilities, per December 31, 2019 is shown in the diagram below:

Maturity term structure of the Group's interest-bearing liabilities per December 31, 2019



The Group's net debt/equity ratio excluding the lease liability according to IFRS 16 and pension liabilities amounted to 41 percent (33) at year-end.

Interest rate risk

Risk

Since most of Trelleborg's net debt bears variable interest, the Group focuses on interest-related cash-flow risk, meaning the risk that movements in market interest rates could have an impact on the financial cash flow and earnings. The scope of the impact depends on the fixed interest term of the borrowing and investment.

Interest rate risk attributable to IFRS 16 Leases

As of 2019, net debt includes lease liabilities in accordance with IFRS 16. Interest expenses for leases are recognized as financial expenses in accordance with IFRS 16, which is a difference compared with the preceding year when interest expenses were included in leasing costs for operating leases in EBIT. The lease liability is initially recognized at the present value of the future lease payments that have not been paid at the starting date of the lease, discounted by a borrowing rate. The discount rate is established for each country every quarter at Group level, starting from a base rate including a margin.

The Group's lease portfolio mainly comprises leases for offices, production premises, warehouses, company cars and production and office equipment. The most important leases pertain to rent of offices and production premises. Interest rate risk pertaining to these leases are primarily an effect of discounting when the lease is signed and interest rate changes do not govern the actual cash flow linked to the leases. Only a small portion of the lease liability has interest rate risk connected to leases.

Policy

The average fixed-interest term on the Group's gross borrowing, including the impact of derivative instruments, may not exceed four years. The average fixed-interest term on interest-bearing investments, including the effects of derivative instruments, may not exceed two years on a maximum amount of SEK 2,000 M, or the equivalent amount in other currencies.

The Group does not hedge interest rate risk for lease liabilities recognized in accordance with IFRS 16.

Commentary

The Group seeks a balance between a reasonable current cost of borrowing and the risk of having a significantly negative impact on earnings in the event of a sudden major movement in interest rates. Trelleborg employs interest rate hedging where appropriate.

As of 2019, net debt includes lease liabilities in accordance with IFRS 16 and pension liabilities. Net debt at year-end 2018 amounted to a SEK 9,978 M. The opening balance was subsequently adjusted due to the reclassification of the pension liability from capital employed to net debt in the amount of negative SEK 521 M.

The closing net debt was impacted by the effects of the introduction of IFRS 16, net cash flow for the year, negative exchange rate differences and acquisitions completed during the year. Closing net debt per December 31, 2019 amounted to SEK 14,914 M. Excluding the impact of IFRS 16 of a negative SEK 2,353 M and pension liabilities of a negative SEK 600 M, net debt amounted to SEK 11,961 M (9,978).

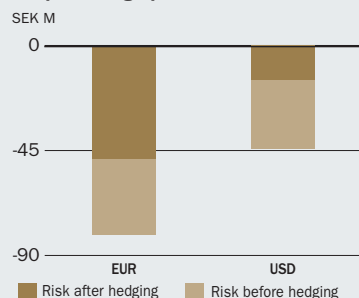
Excluding the impact of leases recognized in accordance with IFRS 16 and pension liabilities, the Group's average interest-bearing net debt was SEK 12,266 M (10,341) for the year. Net financial items corresponded to 2.3 percent (2.7) of the average interest-bearing net debt. Net interest income excluding borrowing costs corresponded to 2.0 percent (2.3).

Including the impact of leases in accordance with IFRS 16 and pension liabilities, the average interest-bearing net debt was SEK 15,282 M. Net financial items corresponded to 2.5 percent and net interest income excluding borrowing costs 2.2 percent.

Excluding the impact of leases in accordance with IFRS 16 and pension liabilities, gross loans at year-end had an average fixed-interest term of 19 months (27) and interest-bearing investments 1 month (1). At December 31, 2019, interest-bearing net debt amounted to SEK 11,961 M (9,978), with an average remaining fixed-interest term of about 24 months (33). Based on the level of interest-bearing net debt on December 31, 2019, a 1 percentage point rise in market interest rates in all currencies in which the Group has loans or investments would have a negative impact on financial net of approximately SEK 54 M (neg: 47) for 2019. The currencies with the greatest impact are EUR and USD. Taking into account the interest-rate hedges in place at year-end 2020, and for which hedge accounting has been applied, an increase of 1 percentage point in the market interest rates in currencies that have been hedged would have a positive impact on comprehensive income of SEK 149 M (151) after tax effects.

For further analysis of the accounting of the Group's borrowing, see Note 29. Outstanding interest-bearing investments are recognized in Notes 25, 26 and 27.

Impact in 2020 on consolidated interest expenditure of a 1 percentage point increase in market interest rates



Foreign exchange risk

Foreign exchange risk relates to the risk of adverse impacts on the consolidated income statement, balance sheet and/or cash flow as a result of exchange rate fluctuations. Foreign exchange risk exists in the form of transaction and translation risks.

Transaction risk

Risk

Currency flows arising primarily in connection with the acquisition or sale of goods and services in currencies other than the local currency of the relevant Group company give rise to transaction exposure. Trelleborg's global operations generate substantial cash flows in foreign currencies.

Policy

Transaction exposure linked to the ongoing transaction is not normally hedged. Nevertheless, major currency exposures related to long-term contracts of a project nature will be hedged in their entirety. Group Treasury works actively on matching currency flows at Group level to minimize currency exposure and related transaction costs.

Commentary

The Group's net currency flows are estimated at an annual value corresponding to approximately SEK 7,072 M (7,409). The currencies with the highest net flows that are expected to exceed the equivalent of SEK 400 M over a period of 12 months, and the amounts hedged per currency pair at December 31, 2019 are shown in the table below.

A 10-percentage-point strengthening of the value of all foreign currency flows that Trelleborg forecasts to occur during 2020 against USD would lead to a change in USD-denominated net flows of a negative USD 5 M (neg: 9). A 10-percentage-point strengthening of the value of all foreign currency flows that Trelleborg forecasts to occur during 2020 against EUR would lead to a change in EUR-denominated net flows of a negative EUR 21 M (neg: 22). A 10-percentage-point strengthening of SEK in relation to all currencies would lead to a change in the total net flows of a negative SEK 47 M (neg: 56).

Forecast annual exposure per currency with the highest 12-month net flow and currency hedges as of December 31, 2019, (SEK M)

Currency pair	Net flow	Currency hedging	Net flow after currency hedging
EUR	2,234	-76	2,158
USD	1,042	-204	838
CZK	-979	0	-979
LKR	-607	0	-607
SEK	-469	11	-458
DKK	-449	0	-449

Translation risk – Income statement

Risk

Exchange rate fluctuations impact the Group's earnings in connection with the translation of foreign subsidiaries' income statements to SEK.

Policy

The Group does not normally hedge this risk.

Commentary

Trelleborg's earnings are largely generated outside Sweden. Accordingly, the impact of exchange rate fluctuations on the Group's sales and earnings can be significant. The translation of foreign subsidiaries' income statements, including items affecting comparability, for 2018 to the average exchange rates for 2019 would have impacted EBIT by SEK 164 M and net profit by SEK 150 M.

Translation of income statement for 2018 to exchange rates applicable in 2019, SEK M

Currency	Net sales	EBIT	Net profit
EUR	397	42	33
GBP	80	6	7
USD	679	50	26
CZK	87	9	6
LKR	0	-4	33
Other	240	61	45
Total	1,483	164	150

Translation risk – balance sheet

Risk

When translating the Group's investments in foreign subsidiaries to SEK, there is a risk that the consolidated balance sheet will be impacted by changes in exchange rates.

Policy

Investments in foreign subsidiaries, associated companies and joint ventures may be hedged by between 0 and 100 percent of the investment value (which, because of the tax effect, implies a maximum hedge of approximately 79 percent of the investment value). Decisions on any hedging are made following a comprehensive assessment of exchange rate levels, the related costs, liquidity and tax, and impact on the Group's debt/equity ratio.

Commentary

When translating the balance sheets of the Group's foreign subsidiaries to SEK, there is a risk that the consolidated balance sheet will be impacted by changes in exchange rates. The Group has significant net investments in foreign subsidiaries and associated companies. If SEK appreciates by 1 percentage point in relation to all currencies in which the Trelleborg Group has foreign net investments, there would be a negative change in shareholders' equity of SEK 297 M (neg: 302).

The decline in net investments in foreign subsidiaries compared with the preceding year was mainly due to the impairment loss of SEK 3,198 M that was recognized in the new Businesses Under Development reporting segment at the end of 2019.

At December 31, 2019, goodwill and other intangible assets were moved in terms of currency from CZK to EUR, at an equivalent amount of about SEK 6,400 M, to better match the currency in which earnings are generated.

Currency distributions, degree of hedging and sensitivity analysis are presented on the table below.

Currency distributions, degree of hedging and sensitivity analysis per December 31, 2019

Currency	Net investment, SEK M	Currency hedging, %	Effect on equity, if SEK 1% stronger, SEK M
EUR	18,280	41	-124
GBP	1,899	0	-19
USD	5,894	13	-53
CZK	2,383	76	-10
Other	10,140	10	-91
Total 2019	38,596	29	-297
Total 2018	41,873	35	-302

The Group's positions regarding hedging of investments in foreign subsidiaries are regularly monitored and adjusted. Correlations between currencies are taken into consideration when appropriate.

Financial credit risk**Risk**

Financial credit risk is the risk of losses if those counterparties with which the Group has invested in accounts receivable, cash and cash equivalents, short-term bank deposits or entered into financial instruments with positive market values, do not fulfill their obligations. Credit risk relating to accounts receivable is disclosed in Note 19.

Policy

Counterparties must possess a high creditworthiness and preferably participate in the Group's medium and long-term financing. The Group's Treasury Policy contains a specific counterparty regulation that stipulates the maximum level of credit risk exposure to various counterparties.

Commentary

A follow-up in relation to credit limits according to the Treasury Policy is conducted on an ongoing basis. Counterparties have been subdivided into three categories: A, B and C. The rating categories A, B and C are also used as the starting point for the reserve for expected credit losses according to the rating method, by basing the probability of payment cancellation per rating category on the external rating institute's past studies of payment cancellation. Category A contains counterparties and their fully guaranteed subsidiaries that hold Issuer Ratings from two of the following three rating institutes with a minimum of the following ratings or better: Moody's (Aa3/stab/P-1), Standard & Poor's (AA-/stab/A-1), Fitch (AA-/stab/F1). Loans from the Trelleborg Group to institutions in category A may not exceed SEK 1,000 M or equivalent, including the value of unrealized gains in derivative instruments.

Category B comprises counterparties and their fully guaranteed subsidiaries that cannot be included in category A and that hold an Issuer Rating from two of the following three rating institutes with a minimum of the following rating or better: Moody's (A3/stab/P-1), Standard & Poor's (A-/stab/A-1), Fitch (A-/stab/F1). Counterparties in category B may borrow a maximum of SEK 500 M or equivalent, including the value of unrealized gains in derivative instruments, from the Trelleborg Group.

Category C encompasses counterparties outside categories A and B that Group companies require to fulfill their operational needs. Exposure to counterparties in category C may not exceed SEK 50 M per counterparty.

The table below presents the Group's credit risk exposure for interest-bearing receivables, cash and cash equivalents and derivative instruments at December 31, 2019 subdivided by category:

Financial credit risk exposure

Category	Interest-bearing receivables		Cash and cash equivalents		Derivative instruments – unrealized gains, gross		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
SEK M								
A	–	–	1,186	902	166	44	1,352	946
B	8	6	1,338	1,178	118	67	1,464	1,251
C	–	–	170	261	–	–	170	261
Total	8	6	2,694	2,341	284	111	2,986	2,458

At year-end 2019, cash and cash equivalents in category A were allocated among 14 counterparties and in category B among 29 counterparties. Credit exposures in category B amounted to less than SEK 500 M per counterparty. The total credit exposure in category C at year-end 2019 was divided among about 40 counterparties. Credit exposures in category C amounted to less than SEK 50 M per counterparty.

Credit risk exposure associated with derivative instruments is determined as the fair value on the closing date. On December 31, 2019, the total counterparty risk associated with derivative instruments amounted to SEK 284 M, gross. If ISDA contracts are taken into account and the net receivable in derivative instruments is calculated net per counterparty, the counterparty risk amounted to SEK 48 M (9).

Trelleborg applies a rating-based method according to categories A, B and C, combined with other known information and forward-looking factors for assessing expected credit losses for cash and cash equivalents and interest-bearing investments. The current reserve amounts to SEK 1 M. All cash and cash equivalents and bank balances are attributable to stage 1, meaning that no material credit impairment has taken place. The Group also makes reserves for expected credit losses on accounts receivable, refer to Note 19.

In addition to the amounts presented in the table above, the Group also has interest-bearing receivables of SEK 2 M (2) due from third parties.

At the end of 2019, no credit limits had been exceeded. Furthermore, management anticipates the probability of non-payment by the Group's financial counterparties as low.

Maturity analysis for financial instruments

The table below shows the Group's financial liabilities and the net settlement of derivative instruments comprising financial liabilities, subdivided into the periods remaining on the closing date until the agreed date of maturity.

The amounts stated in the table comprise contractual, undiscounted cash flows.

At December 31, 2019

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Borrowing, incl. interest	–3,855	–8,955	–2,450	–15,260
Interest rate swaps with negative fair value	–29	–45	–2	–76
Accounts payable	–3,375	–	–	–3,375
Total	–7,259	–9,000	–2,452	–18,711
Accounts receivable incl. loss allowance for expected credit losses	5,690	–	–	5,690
Interest rate swaps with positive fair value	–	–	–	–
Net flow	–1,569	–9,000	–2,452	–13,021

A more detailed maturity structure is presented in Note 29.

At December 31, 2018

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Borrowing, incl. interest	–3,079	–8,025	–1,616	–12,720
Interest rate swaps with negative fair value	–48	–88	0	–136
Accounts payable	–3,399	–	–	–3,399
Total	–6,526	–8,113	–1,616	–16,255
Accounts receivable incl. loss allowance for expected credit losses	5,338	–	–	5,338
Interest rate swaps with positive fair value	–	–	–	–
Net flow	–1,188	–8,113	–1,616	–10,917

The table below shows the Group's financial derivative instruments that will be settled gross, subdivided into the periods remaining on the closing date until the agreed date of maturity. The amounts stated in the table comprise contractual, undiscounted cash flows.

At December 31, 2019

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Foreign-exchange forwards				
– outflow	–20,635	–11	–	–20,646
– inflow	20,760	11	–	20,771
Basis swap contracts				
– outflow	–3	–620	–	–623
– inflow	7	550	–	557
Total	129	–70	–	59

At December 31, 2018

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Foreign-exchange forwards				
– outflow	–26,103	–24	–	–26,127
– inflow	26,095	23	–	26,118
Basis swap contracts				
– outflow	–515	–589	–	–1,104
– inflow	504	553	–	1,057
Total	–19	–37	–	–56

Other

33 Contingent liabilities and pledged assets

SEK M	2019	2018
<i>Contingent liabilities</i>		
Guarantees and other contingent liabilities	13	14
Total	13	14
<i>Pledged assets</i>		
Plant and machinery	2	0
Total	2	0

PARENT COMPANY

PARENT COMPANY INCOME STATEMENTS

SEK M	Note	2019	2018
Net sales	34	550	476
Administrative expenses	35, 37, 41, 46	-331	-348
Other operating income	35, 36	3	2
Other operating expenses	35, 36	-310	-325
EBIT		-88	-195
Financial income and expenses	38	-335	-711
Profit before tax		-423	-906
Appropriations	55	71	1,822
Income tax	39	-6	-84
Net profit		-358	832

Statements of comprehensive income

SEK M	2019	2018
Net profit	-358	832
Other comprehensive income	-	-
Total comprehensive income	-358	832

PARENT COMPANY CASH-FLOW STATEMENTS

SEK M	2019	2018
Operating activities		
EBIT	-88	-195
Adjustment for items not included in cash flow:		
Depreciation of property, plant and equipment	2	2
Amortization of intangible assets	3	3
Divestments and disposals	0	0
Other items not included in cash flow	-6	33
	-89	-157
Cash dividend received	1,754	1,545
Interest received and other financial items	2	0
Interest paid and other financial items	-62	-475
Tax paid/received	-27	-12
Cash flow from operating activities before changes in working capital	1,578	901
Cash flow from changes in working capital		
Change in operating receivables	-14	-41
Change in operating liabilities	-24	25
Cash flow from operating activities	1,540	885
Investing activities		
Acquisition of subsidiaries/capital contribution	-1,078	-2,919
Divestment of subsidiaries	-	-
Gross capital expenditures for property, plant and equipment	0	-1
Gross capital expenditures for intangible assets	-22	0
Cash flow from investing activities	-1,100	-2,920
Financing activities		
Change in interest-bearing investments	1,560	837
Change in interest-bearing liabilities	-713	2,418
Dividend paid – shareholders of the Parent Company	-1,287	-1,220
Cash flow from financing activities	-440	2,035
Cash flow for the year	0	0
Cash and cash equivalents		
Opening balance, January 1	-	-
Cash and cash equivalents, December 31	-	-

PARENT COMPANY BALANCE SHEETS

December 31, SEK M	Note	2019	2018
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	44	13	15
Intangible assets	45	25	6
Financial non-current assets	43, 51	35,690	36,641
Deferred tax assets	40	58	38
Total non-current assets		35,786	36,700
<i>Current assets</i>			
Current operating receivables	47	123	109
Interest-bearing receivables	52	333	1,822
Cash and cash equivalents		–	–
Total current assets		456	1,931
TOTAL ASSETS		36,242	38,631
EQUITY AND LIABILITIES			
<i>Equity</i>			
<i>Restricted equity</i>			
Share capital		2,620	2,620
Statutory reserve		1,130	1,130
Total restricted equity		3,750	3,750
<i>Non-restricted equity</i>			
Profit brought forward		4,157	4,612
Net profit for the year		–358	832
Total non-restricted equity		3,799	5,444
Total equity	54	7,549	9,194
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	53	91	85
Pension obligations	42	1	1
Other provisions	50	49	55
Total non-current liabilities		141	141
<i>Current liabilities</i>			
Interest-bearing current liabilities	53	28,365	29,084
Current tax liabilities		1	2
Other current liabilities	48, 49	186	210
Total current liabilities		28,552	29,296
TOTAL EQUITY AND LIABILITIES		36,242	38,631

CHANGE IN EQUITY

Equity	Restricted equity		Non-restricted equity		Total equity	
SEK M	2019	2018	2019	2018	2019	2018
Opening balance, January 1	3,750	3,750	5,444	5,832	9,194	9,582
<i>Changes for the year:</i>						
Dividend			–1,287	–1,220	–1,287	–1,220
Net profit for the year			–358	832	–358	832
Closing balance, December 31	3,750	3,750	3,799	5,444	7,549	9,194

See also Note 54.

Earnings

34 Net sales per geographic market/country

SEK M	2019	2018 ¹
US	124	111
Germany	69	57
Italy	52	42
Czech Republic	47	41
Sweden	37	38
UK	35	31
France	35	25
Other countries	151	131
Total	550	476

¹ For the comparative year, net sales has been separated from other operating income.

Net sales refers to sales of Group-wide services to other Group companies and is broken down by each significant country as outlined above.

35 Expenses by nature

SEK M	2019	2018
Employee benefits	-152	-198
Depreciation/amortization	-5	-5
Other external costs	-174	-145
Other operating income/expenses (Note 36)	-307	-323
Total	-638	-671

36 Other operating income and expenses

SEK M	2019	2018
Exchange rate differences	3	2
Guarantee remuneration	-	0
Total other operating income	3	2
Purchase of services from other Group companies	-212	-209
Exchange rate differences	-4	-3
Other	-94	-113
Total other operating expenses	-310	-325
Total	-307	-323

37 Auditor's remuneration

SEK M	2019	2018
Deloitte		
Audit assignment	3	3
Audit activities other than audit assignment	1	1
Tax consultancy services	-	-
Other services	-	0
Total	4	4

38 Financial income and expenses

SEK M	2019	2018
<i>Income from participations in Group companies</i>		
Dividend	1,754	1,545
Impairment losses on shares in subsidiaries	-2,029	-1,046
Gain/loss from divestment/winding-up of subsidiary	-	-4
Total	-275	495
<i>Other interest income and similar profit items</i>		
Distribution, other non-current securities holdings	2	6
Interest income, Group companies	0	0
Interest income, other	0	0
Exchange rate differences	-	-
Total	2	6
<i>Interest expenses and similar loss items</i>		
Interest expenses, Group companies	-62	-476
Interest expenses, other	0	0
Exchange rate differences ²	0	-736
Total	-62	-1,212
Total financial income and expenses	-335	-711

² Relates to the exchange rate difference upon termination of hedging contract.

39 Income tax

SEK M	2019	2018
<i>Current tax expenses</i>		
Tax expenses/revenue for the period	-	-
Adjustment of tax attributable to prior years	0	26
Other tax	-26	-14
Total	-26	12
<i>Deferred tax expenses (-)/revenue (+)</i>		
Change in losses carried forward	3	-96
Change in temporary differences	17	-
Total	20	-96
Total recognized tax expense	-6	-84
<i>Reconciliation of tax</i>		
Loss after financial items	-423	-906
Calculated Swedish income tax, 21.4% (22.0)	91	199
Non-taxable dividends/income from shares in subsidiaries	375	339
Non-deductible impairment losses	-434	-230
Other non-deductible expenses/non-taxable revenue	4	2
Group contributions received	-15	-401
Group contributions paid	-	-
Tax attributable to prior years	0	26
Tax effect as share in foreign tax-transparent legal entity	0	-4
Impact of changed tax rates and tax regulations	-1	-1
Other tax	-26	-14
Total recognized tax expense	-6	-84

The applicable tax rate is 21.4 percent (22.0).

40 Change in deferred tax

	Losses carried forward		Provisions		Non-current assets		Total deferred tax asset	
SEK M	2019	2018	2019	2018	2019	2018	2019	2018
Balance, January 1	10	110	30	-	-2	-2	38	108
<i>Recognized in profit and loss:</i>								
Change in losses carried forward	3	-95	-	-	-	-	3	-95
Tax attributable to prior years	0	4	-	24	-	-	-	28
Impact of changed tax rates and tax regulations	0	-1	-	-2	-	-	-	-3
Temporary differences	-	-8	17	8	0	0	17	-
Balance, December 31	13	10	47	30	-2	-2	58	38

See also Note 39.

Employees

41 Employees and employee benefits

Average number of employees

	2019			2018		
	Women	Men	Total	Women	Men	Total
Sweden	35	41	76	38	42	80

Gender distribution in executive management positions, %				2019	2018
<i>Percentage of women</i>					
in executive positions				0	0
on Board of Directors				38	38

Employee benefits, other remuneration and payroll overheads

2019	Board and President	Other members of Group Management	Other employees	Total salaries	Payroll overheads	Of which, pension costs
SEK M						
Sweden	23	8	61	91	53	20

See also Note 10.

2018	Board and President	Other members of Group Management	Other employees	Total salaries	Payroll overheads	Of which, pension costs
SEK M						
Sweden	29	10	63	102	88	19

See also Note 10.

Operating assets and liabilities

43 Participations in Group companies

SEK M	2019	2018
Opening balance	36,641	34,768
Add:		
Acquisitions	27	1,146
Capital contributions	1,123	1,773
Less:		
Divestment/winding-up	–	–
Repayment of capital	–72	–
Impairment losses	–2,029	–1,046
Carrying amount	35,690	36,641

See also Note 14.

44 Property, plant and equipment

SEK M	2019	2018
Improvement expenses on buildings owned by others	10	11
Equipment, tools, fixtures and fittings	3	4
Total	13	15

SEK M	Improvement expenses on buildings owned by others		Equipment, tools, fixtures and fittings		Total PPE	
	2019	2018	2019	2018	2019	2018
<i>Accumulated cost</i>						
Balance, January 1	25	25	16	15	41	40
Capital expenditures	–	–	0	1	0	1
Investments and disposals	–	–	–	0	–	–
Accumulated cost, December 31	25	25	16	16	41	41
<i>Accumulated depreciation according to plan</i>						
Balance, January 1	–14	–13	–13	–12	–27	–25
Investments and disposals	–	–	–	–	–	–
Depreciation according to plan for the year	–1	–1	–1	–1	–2	–2
Accumulated depreciation, December 31	–15	–14	–14	–13	–29	–27
Carrying amount	10	11	3	4	13	15

42 Pension obligations

SEK M	2019	2018
Provisions for pensions and similar obligations	1	1
Total	1	1

Pensions and similar costs amounted to SEK 20 m (19).

Trelleborg AB has entered into leases. Lease costs for assets held via leases are recognized as operating costs and amounted to SEK 2 m (2). Future payments for non-cancellable lease commitments amount to SEK 2 m (2) and fall due as follows:

SEK M	2019	2018
Year 1	1	1
Years 2–5	1	1
Total	2	2

45 Intangible assets

SEK M	2019	2018
Capitalized expenditure for IT	25	6
Total	25	6

SEK M	Capitalized expenditure for IT	
	2019	2018
<i>Accumulated cost</i>		
Balance, January 1	28	28
Capital expenditures	22	0
Accumulated cost, December 31	50	28
<i>Accumulated amortization according to plan</i>		
Balance, January 1	–22	–19
Amortization according to plan for the year	–3	–3
Accumulated amortization, December 31	–25	–22
Carrying amount	25	6

46 Depreciation of PPE and amortization of intangible assets

SEK M	2019	2018
Improvement expenses on buildings owned by others	–1	–1
Equipment, tools, fixtures and fittings	–1	–1
Capitalized expenditure for IT	–3	–3
Total	–5	–5

47 Current operating receivables

SEK M	2019	2018
Operating receivables, Group companies	50	60
Other current receivables	24	12
Prepaid expenses and accrued income	49	37
Total	123	109

48 Other current liabilities

SEK M	2019	2018
Accounts payable	40	48
Operating liabilities, Group companies	83	88
Other non-interest-bearing liabilities	4	6
Accrued expenses and prepaid income (Note 49)	59	68
Total	186	210

49 Accrued expenses and prepaid income

SEK M	2019	2018
Wages and salaries	37	44
Payroll overheads	12	12
Other	10	12
Total	59	68

50 Other provisions

SEK M	2019	2018
Provision for long-term incentive program	5	14
Other provisions	44	41
Total	49	55

Capital structure and financing**51 Financial non-current assets**

SEK M	2019	2018
Participations in Group companies (Note 14 and Note 43)	35,690	36,641
Other non-current securities holdings	0	0
Total	35,690	36,641

52 Interest-bearing receivables

SEK M	2019	2018
Financial receivables, Group companies	333	1,822
Total interest-bearing receivables	333	1,822

53 Interest-bearing liabilities

SEK M	2019	2018
Other non-current interest-bearing liabilities, Group companies	91	85
Other current interest-bearing liabilities, Group companies	28,365	29,084
Total interest-bearing liabilities	28,456	29,169

54 Equity

Trelleborg AB's share capital at December 31, 2019 amounted to SEK 2,620,360,569, represented by 271,071,783 shares with a par value of SEKSEK 9.67 each.

Class of share	No. of shares	% of total	No. of votes	% of total
Series A	28,500,000	10.51	285,000,000	54.02
Series B	242,571,783	89.49	242,571,783	45.98
Total	271,071,783	100.00	527,571,783	100.00

See also Note 28.

Proposed treatment of unappropriated earnings

	2019
The Board of Directors proposes that the profit brought forward from the preceding year, SEK 000s	4,156,501
and net profit/loss for the year, SEK 000s	-357,630
Total, SEK 000s	3,798,871
<i>be distributed in the following manner:</i>	
Dividend to shareholders of SEK 4.75 per share, SEK 000s	1,287,591
balance to be carried forward, SEK 000s	2,511,280
Total, SEK 000s	3,798,871

Other**55 Appropriations**

SEK M	2019	2018
<i>Appropriations</i>		
Group contributions received	72	1,822
Group contributions paid	-1	-
Total appropriations	71	1,822

56 Contingent liabilities and pledged assets

SEK M	2019	2018
<i>Contingent liabilities</i>		
Pension obligations	0	0
Guarantees and other contingent liabilities	15,286	12,765
Total	15,286	12,765
Of which, on behalf of Trelleborg Treasury AB	14,941	12,473
Of which, on behalf of other subsidiaries	345	292
<i>Pledged assets</i>	-	-

The Parent Company has issued guarantees for the subsidiary Trelleborg Treasury AB's operation. Of the obligations under these guarantees, direct loans accounted for SEK 14,660 M (12,147), the fair value of derivative instruments for SEK 221 M (294) and other contingent liabilities for SEK 60 M (32) on the closing date.

PROPOSED TREATMENT OF UNAPPROPRIATED EARNINGS

The Board of Directors proposes that the profit brought forward from the preceding year, SEK 000s and net profit/loss for the year, SEK 000s

	4,156,501
	-357,630
Total, SEK 000s	3,798,871

be distributed in the following manner:

Dividend to shareholders of SEK 4.75 per share, SEK 000s	1,287,591
balance to be carried forward, SEK 000s	2,511,280
Total, SEK 000s	3,798,871

The proposed record date for the right to a dividend is April 27, 2020.

The members of the Board are of the opinion that the proposed dividend is justifiable considering the demands on the Group's equity imposed by the type, scope and risks of the business and with regard to the Group's consolidation requirements, liquidity and overall position. The proposed dividend reduces the Group's equity/assets ratio from 51.9 percent to 50.7 percent and the Parent Company's equity/assets ratio from 20.8 percent to 17.9 percent, calculated on December 31, 2019.

The Board of Directors and President affirm that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and provide a true and fair view of the Group's profit and financial position. The Annual Report has been prepared in accordance with the generally accepted accounting policies and provides a true and fair view of the Parent Company's profit and financial position.

The statutory Board of Directors' Report for the Group and the Parent Company provides a true and fair overview of the development of the Group's and Parent Company's operations, profit and financial position and describes significant risks and uncertainty factors faced by the Parent Company and the companies included in the Group.

TRELLEBORG, FEBRUARY 20, 2020

Signature on Swedish

Hans Biörck
Chairman

Signature on Swedish

Gunilla Fransson
Board member

Signature on Swedish

Johan Malmquist
Board Member

Signature on Swedish

Peter Nilsson
Board member and
President

Signature on Swedish

Anne Mette Olesen
Board member

Signature on Swedish

Susanne Pahlén Åklundh
Board member

Signature on Swedish

Panu Routila
Board member

Signature on Swedish

Jan Ståhlberg
Board member

Signature on Swedish

Jimmy Faltin
Employee representative

Signature on Swedish

Peter Larsson
Employee representative

Signature on Swedish

Lars Pettersson
Employee representative

Audit report submitted February 20, 2020
Deloitte AB

Signature on Swedish

Hans Warén
Authorized Public Accountant
Auditor in Charge

Signature on Swedish

Maria Ekelund
Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Trelleborg AB (publ),
corporate identity number 556006-3421

Report on the annual accounts and consolidated accounts Opinions

We have audited the annual accounts and consolidated accounts of Trelleborg AB (publ) for the financial year 1 January – 31 December 2019 except for the corporate governance report on pages 59–69 and parts of the sustainability report on pages 15 and 38–55. The annual accounts and consolidated accounts of the company are included on pages 10–29 and 38–119 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not comprise the corporate governance report on pages 59–69 and parts of the sustainability report on pages 15 and 38–55.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibility section*.

We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill

Risk description

As of 31 December 2019, Trelleborg AB (publ) accounts for goodwill in the consolidated balance sheet amounting to SEK 19,198 M. The value of the goodwill is dependent on future income and profitability in the cash-generating units, to which the goodwill refers, and is assessed for impairment at least once a year. Management bases its impairment test on several judgments and estimates, such as growth, EBIT development and cost of capital (WACC) as well as other complex circumstances. Incorrect judgments and estimates may have a significant impact on the group's result and financial position.

Management has not identified any need for impairment in 2019 for the business areas within Core businesses. For the reporting segment Businesses Under Development a write-down has been made of capital employed of SEK 3 198 M, including goodwill of SEK 2 327 M, based on expected future cash flows and projected market values.

For further information, please see note 17 – Intangible assets where it is described how management has performed

the impairment test together with important judgments and estimates.

Our audit procedures

Our audit included the following procedures, but was not limited to these:

- » Review and assessment of Trelleborg AB' (publ)s procedures for impairment tests of goodwill and evaluation of the reasonability of judgments and estimates made, that the procedures are consistently applied and that there is integrity in computations;
- » Verification of input data in calculations including information from business plans for the forecast period approved by the Board of Directors;
- » Test of head room for each cash generating unit by performing sensitivity analyses; and
- » Review of the completeness in relevant disclosures to the financial reports.

When performing the audit procedures our valuation experts have been involved.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–9, 30–37 and 124–141. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the Information otherwise appears to be materially misstated.

If we, based on the work performed concerning this Information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts. The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

An additional description of our responsibility for the audit of the annual report and consolidated accounts is available on the Swedish Inspectorate of Auditors website, www.revisorsinspektionen.se/revisorsansvar. This description forms a part of the Auditor's Report.

Report on other statutory and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Trelleborg AB (publ) for the financial year 1 January – 31 December 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the annual general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibility section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend

is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- » has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- » in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

An additional description of our responsibility for the audit of

the administration is available on the Swedish Inspectorate of Auditors website, [www. Revisorsinspektionen.se/revisorsansvar](http://www.Revisorsinspektionen.se/revisorsansvar). This description forms a part of the Auditor's Report.

Deloitte AB, 556171-5309 Stockholm was appointed auditor of Trelleborg AB (publ) by the annual general meeting of shareholders on the 27 March 2019, and has been the auditor of the company since 27 April 2017.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 59–69 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö 20 February 2020

Deloitte AB

Signature on Swedish

Hans Warén
Authorized public accountant
Auditor in charge

Signature on Swedish

Maria Ekelund
Authorized public
accountant

SUSTAINABILITY-RELATED INFORMATION

In this section, the most important performance measures in the area of sustainability are presented together with materiality analysis, stakeholder engagement and sustainability governance. It also includes an overview of Trelleborg's contribution to the UN Sustainable Development Goals and a GRI Index.

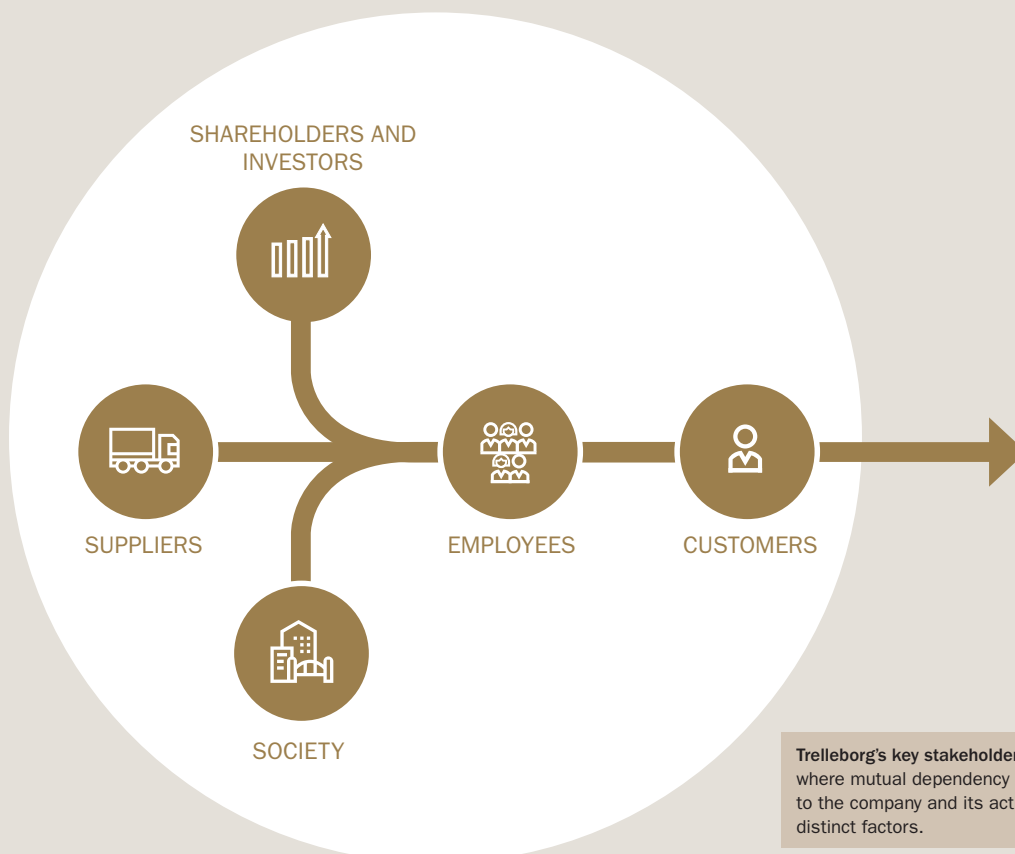


Trelleborg's tire solutions for the agricultural sector are built on qualities that reduce climate impact while improving performance in terms of reduction of work hours, soil compaction and fuel consumption. Trelleborg's Central Tire Inflation System (CTIS+) for agricultural machinery enables tire pressure to be adjusted depending on load and ground conditions.



STAKEHOLDER DIALOG FOCUSING ON MATERIAL ASPECTS

TRELLEBORG'S KEY STAKEHOLDERS



Trelleborg's stakeholder engagement in 2019 has continued the trend from the preceding year where stakeholders are more active in asking questions about and commenting on the company's sustainability work. Activity is still dominated by the key group "Shareholders and Investors". Refer to the diagram of Trelleborg's key stakeholders above.

The main issues addressed by stakeholders in 2019 were:

- » the company's responsibility regarding the climate issue (see pages 39, 41 and 132), respectively
- » various aspects of the UN Sustainable Development Goals (refer to page 131).

And also greater interest in:

- » how the company takes into consideration and plans for sustainability risks (refer to page 55)
- » how sustainability-related products contribute to value generation (refer to pages 36–37)

MATERIALITY ANALYSIS

Significance to stakeholders' perceptions and decisions	VERY IMPORTANT	<ul style="list-style-type: none"> • Open and honest communication • Corporate governance and transparency • Environmental performance of products 	<ul style="list-style-type: none"> • Compliance with legislation and human rights • Measures against corruption and bribery • Measures against anti-competitive behavior • Use of hazardous chemicals • Supplier practices • Energy and climate • Emissions • Waste • Occupational health and safety
	IMPORTANT	<ul style="list-style-type: none"> • Labor/Management relations • Investment and divestment practices • Risk and crisis management • Public policy and lobbying • Talent attraction and retention • Training and development 	<ul style="list-style-type: none"> • Diversity • Community relations
		IMPORTANT	VERY IMPORTANT
Significance of financial, environmental and social impact			

2019 review. Trelleborg's priorities for sustainability work (refer to the Materiality analysis diagram) were again reviewed. The stakeholder engagement referred to previously was more intensive, and in October 2019 exercises were again conducted with about 30 students from Örebro University and the master's program in *Sustainable business*, (refer to the picture below). The goal of the exercises was to evaluate Trelleborg's latest Sustainability Report from the perspective of key stakeholder groups. Students were offered an opportunity to comment on and criticize the Report in two workshops and in work during the intervening period.

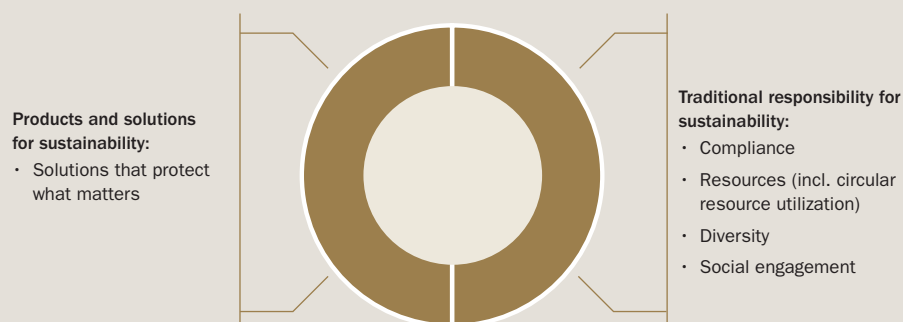
ÖREBRO STUDENTS 2019



Qualified feedback. Trelleborg uses Master's students to receive feedback on the Sustainability Report and materiality analysis. Örebro University has the Sustainable business profile as part of the Master's Program in Business Administration. Students work in teams in workshops to behave as various stakeholder groups. The picture shows one of the student teams.

Sustainable business is Sweden's first two-year Master's program in business administration with this specialization. It is addressed to students who are interested in working with sustainability issues and has strong support from the business community.

TRELLEBORG'S MOST SIGNIFICANT AREAS IN SUSTAINABILITY 2019



The conclusions, together with the most common questions raised by the stakeholder dialog and review, are presented on page 129.

Overall, *Trelleborg's products and solutions for sustainability* have become an increasingly important focus area that requires its own space in the materiality matrix. The strong connection to the UN Sustainable Development Goals and benefit to society (refer to pages 36–37 and 131) are a decisive factor.

The UN Sustainable Development Goals have emerged as one of the most important tools in a joint dialog about a sustainable future. The use of the goals has the advantage that they are well known, not only by industry and the business community, but also by politicians and citizens, and have a clear objective in the agenda for 2030. The UN goals also have the potential to reflect how Trelleborg's products and solutions for sustainability come into the picture of society's sustainability agenda in a natural manner.

The views collected from the stakeholder engagement were addressed during work on the 2019 Sustainability Report and corresponding websites on www.trelleborg.com.

STAKEHOLDER ENGAGEMENT 2019: EXAMPLES AND MAIN AREAS FOR DIALOG

**SHAREHOLDERS AND INVESTORS**

Examples from 2019: Folksam, Carnegie, CDP, Hermes, Ethibel etc.

Main areas: Sustainability in general, Climate, UN SDGs, Suppliers.

**SOCIETY**

Examples from 2019: Dagens Industri (media), Aktuell Hållbarhet (media), Lund University School of Economics and Management/International Institute for Industrial Environmental Economics (IIIEE) (researchers/students), Örebro University (researchers/students), etc.

Main areas: UN SDGs, Education, Sustainability in general.

**SUPPLIERS**

Examples from 2019: Polymers and transport providers.

Main areas: Climate, UN SDGs, Human rights, Social responsibility.

**EMPLOYEES**

Examples from 2019: The Board, Representatives from community projects, Participants in the One Young World Summit.

Main areas: Code of Conduct, UN SDGs, Energy/Climate, Social responsibility.

**CUSTOMERS**

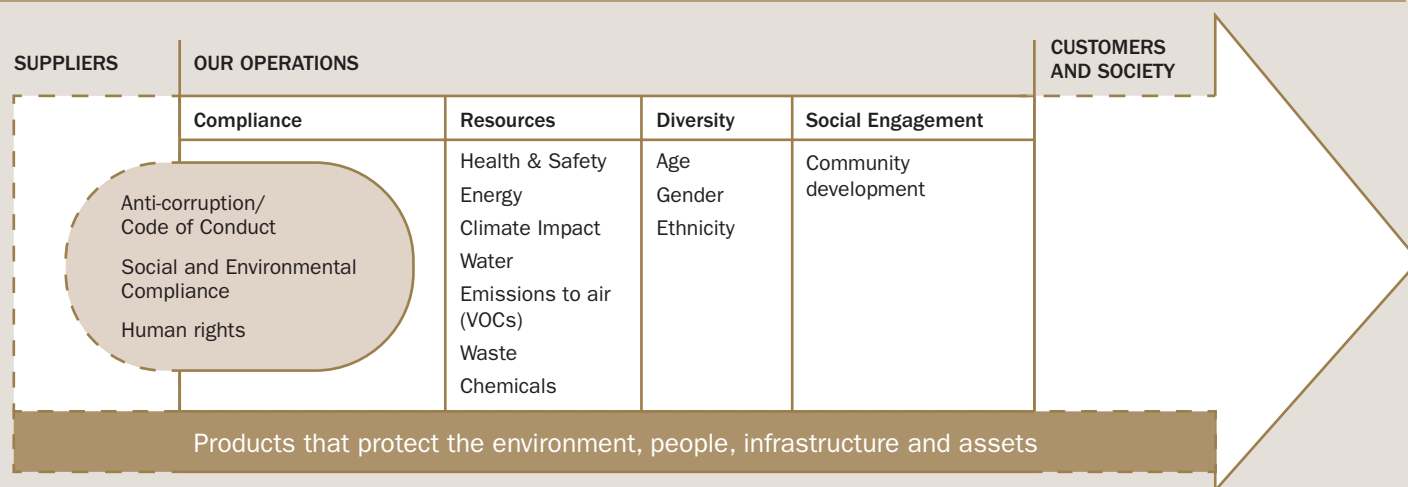
Examples from 2019: Volvo, PSA, CNH Industrial, the CDP Supply Chain survey primarily from vehicle customers.

Main areas: Climate, Water.

The main areas for dialog refer to sustainability aspects addressed in this report on the following pages:

- » Sustainability in general (the entire report)
- » UN SDGs (pages 36–37, Index on page 131)
- » Energy/climate (38–41, 132–133)
- » Water (39–40, 133)
- » Code of Conduct (42, 44, 134)
- » Suppliers (44, 134)
- » Human rights (43, 134)
- » Education (46–47, 134)
- » Social responsibility (48–49)

TRELLEBORG AND THE VALUE CHAIN



SOLUTIONS FOR BETTER SUSTAINABILITY

Trelleborg and the value chain. While Trelleborg's focus areas in terms of sustainability have historically been based on the Group's operations, they have been expanded over time to include other activities both upstream and downstream in the value chain. In terms of materiality, an additional aspect that extends across the value chain should be highlighted: Products that protect the environment, people, infrastructure and assets, and that thereby contribute to the sustainability of customers and society.

COMMON QUESTIONS AND SUGGESTIONS DURING THE YEAR:

» **How is Trelleborg taking into account the 1.5 degree goal for maximum global warming as announced by the IPCC for society as a whole?**

Trelleborg's comments: The company's climate impact has been a top priority at Trelleborg for many years. The climate target established for the end of 2020, "20 by 20", intends to reduce emissions by 20 percent in relation to sales, compared with 2015.

For the next period, from 2021, Trelleborg will take into account the 1.5 degree goal for society – by using a science-based analysis – and emissions across the value chain (Scope 3 emissions), mainly via purchased products and services, but also from transportation.

Read more in "Trelleborg and climate" on page 41.

» **How is Trelleborg working with the UN Sustainable Development Goals?**

Trelleborg's comments: For Trelleborg, the sustainability goals moving forward will be used as guiding principles for product and business development, and provide support for how our operations and processes can be improved.

Trelleborg has existing products and solutions that protect what matters in various areas and contribute toward a more sustainable society in several of the areas covered by the goals (refer to

pages 36–37). Even more important is the material expertise and applications know-how Trelleborg possesses as a world leader in engineered polymer solutions, and which continue to provide innovation in these critical areas for the world.

For internal operating improvements in sustainability, the company already complies with the GRI's guidelines and the UN Global Compact's principles, and as the UN Sustainable Development Goals for society also become useful guidelines for internal improvements, then Trelleborg will provide information about this. Refer to the table on page 131.

» **How is Trelleborg working to make its business and entire operations more circular?**

Trelleborg's comments: One pilot area for circular business has been industrial tires, where a number of activities have already been tested and put into production, such as a greater share of recycled raw materials, read more on page 36.

During 2019, work has progressed drawing up a general model for Trelleborg's view of circular business and resources, and at its simplest level presented to the Board as an additional step toward more efficient use of resources. Using this general model for circularity, training and the further application of the approach will continue in 2020 and in the years ahead.

GOVERNANCE OF SUSTAINABILITY AT TRELLEBORG

TRELLEBORG'S SUSTAINABILITY GOVERNANCE



Code of Conduct and monitoring. A pillar of the internal sustainability work is Trelleborg's Code of Conduct (new version launched in 2019, see also page 42 and 44) and policies in the areas of environment, Occupational Health and Safety (OHS) and ethics. The Code is based on internationally recognized conventions and guidelines, such as the Universal Declaration of Human Rights, the ILO conventions, the OECD guidelines and the UN Global Compact, which Trelleborg signed in 2007.

The Code of Conduct applies to all employees without exception, and training in the content of the Code is mandatory for all employees.

Internal sustainability governance is further supported by various types of internal audits, for example, within the framework of the occupational Safety@Work program and the ISO 14001 environmental management system. Random internal and external audits are also carried out, for instance to monitor compliance with the Code of Conduct.

Whistleblower Policy. Trelleborg's Whistleblower Policy also supports the sustainability framework. The Whistleblower Policy enables all employees to report suspected legal or regulatory violations without repercussion. Reports can be submitted by phone or online in the employee's own language.

Reporting and external reporting. The internal collection of data is mandatory for all units included in the Group during the relevant period and is mainly performed within the framework of monthly reporting via Manufacturing Excellence (see page 35) and via specific sustainability reporting from all Trelleborg units twice per year. The same system is used to report both financial and sustainability data.

The external reporting of sustainability issues that is published in Trelleborg's Annual Report and in the annual, more comprehensive, Sustainability Report is based on GRI Standards guidelines, according to the Core option. The separate Sustainability Report contains detailed descriptions and an index to clarify exactly how the report follows the GRI guidelines.

From 2019, there is a supplementary index that considers Trelleborg's operations relative to the UN SDGs, see page 131.

In addition, there is a Sustainability section under *About Us* on Trelleborg's website www.trelleborg.com, from where Annual

and Sustainability Reports can be downloaded, including those published in previous years. The Sustainability Reports also serve as Trelleborg's annual Communication on Progress (COP) reports for the UN Global Compact.

Organization. At Board level, the Audit Committee has been assigned to monitor the Group's work with sustainability issues.

Starting in 2016, the entire Board was regularly presented with case stories related to Trelleborg's ongoing sustainability work at Board meetings. A more in-depth review of sustainability targets and indicators for each focus area for the coming period is also presented at the annual Board meeting after mid year. Overall, this clearly reflects the Board's commitment to the strategic direction.

The operational sustainability organization is led by a Steering Committee comprising the managers of Group Legal, Group Communications and Group HR staff functions, while the day-to-day activities take place in the Sustainability Forum, a group comprising representatives from the Communications, Legal, Environment, HR, Purchasing and Finance/Treasury staff functions, and from the Manufacturing Excellence Program, as well as out in the operational units.

Direct responsibility for environmental and Occupational Health and Safety (OHS) issues is locally delegated – each production plant has an environmental coordinator and an OHS officer.

ORGANIZATION

Board of Directors/Audit Committee

CEO/Management

SVP Steering Group

Senior Vice Presidents of Group functions, Legal, Communications, HR

Sustainability Forum

Representatives for Legal, Environment, HR, Communications, Purchasing, Manufacturing Excellence, Finance

Trelleborg's operational units

Environment/health and safety coordinators at each facility

TRELLEBORG AND THE UN SUSTAINABLE DEVELOPMENT GOALS















The UN Sustainable Development Goals introduced in 2015 encompass 17 areas that are of key significance to the world. In many of these areas, Trelleborg can – particularly through its innovative products and solutions, but also through sustainability work in its own operations – make an important contribution to social development. See also pages 36–37.

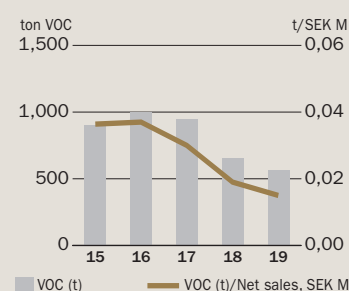
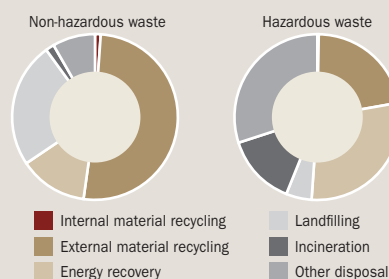
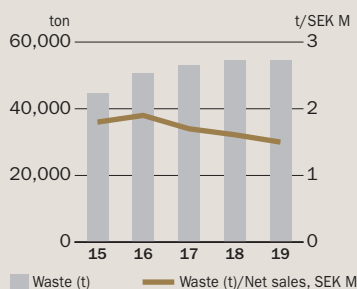
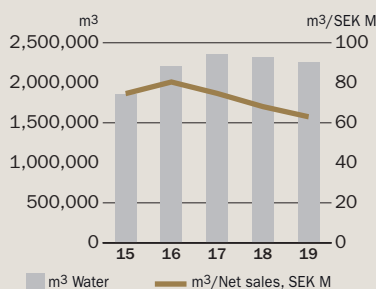
UN Goals	Implications	Trelleborg's products and solutions for/contribution to the sustainable development of society, with reference to the UN sub-goals.	Sustainability work in the Group's operations, with reference to the UN sub-goals
	Goal 1 is to end poverty in all its forms everywhere.		Decent and market-based wages and remuneration (1.2).
	Goal 2 is to end hunger, achieve food security and improved nutrition and promote sustainable agriculture.	Solutions for sustainable agriculture, primarily agricultural tires (2.3). Products for sustainable systems for food production, including food hoses (2.4).	
	Goal 3 is to ensure healthy lives and promote well-being for all at all ages.	Components in the field of healthcare & medical, such as for medical equipment and for drug and vaccine delivery systems (3.8).	Health and safety efforts within the framework of the Safety@Work program (3.9). Reduction in waste volumes, including hazardous waste (3.9). Reduced air pollution (3.9).
	Goal 4 is to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	Training and support projects for local communities within the framework of Trelleborg's community engagement (4.2).	Education for lifelong learning at Trelleborg, for example, via Trelleborg Group University (4.3). Cultural and ethnic diversity in the organization (4.5).
	Goal 5 is to achieve gender equality and the empowerment of all women and girls.		Work in the area of human rights against forced labor/trafficking, discrimination and exploitation (5.2). Greater gender equality, including more female managers and "equal pay for equal work," is part of diversity work (5.5).
	Goal 6 is to ensure availability and sustainable management of water and sanitation for all.	Products to safeguard and protect water resources (6.4).	Efficiency enhancements in water use (6.4).
	Goal 7 is to ensure access to affordable, reliable, sustainable and modern energy for all.	Solutions for the safe extraction and transport of energy (7.1). Components for wind, solar and hydro power solutions (7.2).	Gradual transition to renewable energy in production (7.2). Increase in local renewable energy produced internally (7.2). Energy efficiency within the framework of Energy Excellence (7.3).
	Goal 8 is to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.		The company's value creation in society and its distribution (8.1). Decent health and safety and good working conditions at all workplaces (8.8).
	Goal 9 is to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	Solutions for reliable, sustainable, resilient and high-quality infrastructure, including window/door seals, facade profiles and pipe seals (9.1).	The company's value creation in society and its distribution (9.1). Sustainable industrialization (9.2). Presence and innovation in countries where this makes a difference to development, for example island nations such as Sri Lanka and Malta (9.5).
	Goal 10 is to reduce inequality within and among countries.		Zero tolerance approach to discrimination, in terms of reported and reviewed cases (10.3).
	Goal 11 is to make cities and human settlements inclusive, safe, resilient and sustainable.	Solutions to protect against earthquake and water-related catastrophes, and unnecessary noise and vibrations (11.1). Solutions for safe, accessible and sustainable transportation systems, including ports and in trains and the rail system (11.2). Solutions to protect and safeguard the world's cultural and natural heritage, including water management and seals (11.4).	
	Goal 12 is to ensure sustainable consumption and production patterns.		Constant improvements in energy efficiency. (12.2). Constant improvements in waste efficiency (12.2). Constant improvements in water efficiency. (12.2). Improved waste management (12.4). Reduction in greenhouse gas emissions and emissions to air (12.4). Increased circular approach in own production (12.5). Transparent sustainability reporting (12.6).
	Goal 13 is to take urgent action to combat climate change and its impacts.	Solutions in water management that build resilience against climate hazards and catastrophes (13.1).	Climate target and strategy "20 by 20" (in 2020) and "15 by 15" (in 2015) (13.1). Transparent climate reporting to CDP (13.1).
	Goal 14 is to conserve and sustainably use the oceans, sea and marine resources for sustainable development.	Products for ports and marine solutions, including Ocean Cleanup (14.2).	Reduction in greenhouse gas emissions and reduced VOC emissions (solvents) (14.3).
	Goal 15 is to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.		Dialog with natural rubber suppliers about the impact of rubber plantations on biodiversity (15.2).
	Goal 16 is to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	Preventive measures in the supply chain against child and forced labor as well as against corruption and anti-competitive measures (16.2 and 16.5).	Zero tolerance toward child labor, forced labor and trafficking (16.2). Compliance with laws and regulations (16.3). Zero tolerance toward corruption and anti-competitive measures (16.5). Measures for effective corporate governance (16.6).
	Goal 17 is to strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.	Signing and supporting various sustainability initiatives, such as the UN Global Compact, applying international standards and guidelines for sustainability reporting (GRI/UN Sustainable Development Goals), climate reporting (CDP) and environmental management systems (ISO 14001) (17.16).	The Internal Code of Conduct is based on international agreements and guidelines (17.16).





OUTCOME IN 2019 IN THE AREA OF RESOURCES

Resources	Where?	Outcome 2019	Goals and main governance
HEALTH AND SAFETY			
		<p>The curve shows the number of work-related injury/illness cases per 100 employees resulting in more than one day's absence (LWC). This figure has gradually declined. In 2019, the figure declined approximately 9 percent.</p> <p>Number</p> <p>LWC/100 employees</p> <p>500</p> <p>250</p> <p>0</p> <p>15 16 17 18 19</p> <p>— LWC = Lost Work Cases — LWC per 100 employees</p>	<p>The Safety@Work program aims to establish a shared safety culture through improvement programs and preventive measures at all production units. Self-assessment is combined with internal and external audits.</p> <p>By 2020, the number of accidents is to decrease so LWC per 100 employees falls below 2.0.</p>
Fatal accidents		<p>One fatal accident (2) occurred during the year in South Africa. A fitter was crushed by a forklift during tire service at a customer.</p>	
LWC		<p>361 cases (422) resulting in at least one day's absence (LWC). Of these, 22 (9) were insourced staff, and 41 (21) women.</p>	
LWC per 100 employees		<p>2.0 LWC per 100 employees (2.2). For insourced employees, the figure was 1.3 (1.3), and for women 1.2 (0.3). See the diagram to the right for the regional situation.</p> <p>LWC/100 employees</p> <p>3</p> <p>2</p> <p>1</p> <p>0</p> <p>Total Europe North America South America Asia Pacific</p>	
LWD		<p>28.3 work days lost on average per injury (28.7).</p>	
Safety committee		<p>89 percent of facilities have a safety committee (89) with representatives from both employers and employees.</p>	
Absenteeism in Sweden		<p>5.4 percent of normal working hours (5.0).</p>	
Systems for occupational health and safety management		<p>At the end of 2019, 29 units were certified under OHSAS 18001 or ISO 45001, corresponding to 24 percent of all units.</p>	
ENERGY			
		<p>In total, energy consumption has been at a slightly lower level year-on-year, despite volume increases. Relative to sales, consumption is clearly decreasing, which is consistent with the expectation that Trelleborg's systematic measures for energy efficiency over time will lead to improved results despite the fact that acquisitions may have a temporary impact.</p>	
Energy consumption		<p>Total of 1,414 GWh (1,486). The share of direct energy is 648 GWh (692), and the share of indirect energy is 766 GWh (794).</p>	
Energy consumption relative to sales		<p>0.039 GWh per SEK M (0.044). Energy consumption relative to sales declined approximately 11 percent.</p>	
Renewable energy		<p>3.6 percent (12) of total energy consumption, consisting of renewable electricity, biomass and internally generated electricity. Lower production volumes in the energy-intensive tire manufacturing resulted in less need for renewable electricity certificates in 2019.</p> <p>The internally generated electricity is produced from solar cells and amounted to 546 MWh (524).</p>	<p>Energy efficiency has been a prioritized area for Trelleborg for some time through the Energy Excellence initiative, which is part of the Manufacturing Excellence program (refer to page 35).</p> <p>The internal target for the Group is to improve its energy-efficiency by at least 3 percent annually.</p> <p>Local energy coordinators are trained via global training sessions, and a shared toolbox is available.</p>
Energy cost		<p>SEK 816 M (789).</p>	
		<p>GWh</p> <p>GWh/SEK M</p> <p>1,500</p> <p>1,000</p> <p>500</p> <p>0</p> <p>15 16 17 18 19</p> <p>— Share of indirect energy — Share of direct energy — Pro forma incl. the CGS acquisition, full year</p>	
CLIMATE			
		<p>Both in total and relative to sales, CO₂ emissions decreased in 2019, which is primarily due to efficiency enhancements and investments. Trelleborg's systematic measures for energy efficiency contribute to results, which at the end of 2019 reached a decrease of almost 27 percent in CO₂ emissions in relation to sales compared with the base value of 16.0 tons/SEK M from 2015, which was a pro forma value based on Trelleborg plus the CGS acquisition.</p>	
Total CO ₂ emissions		<p>429,400 tons (442,800), of which direct emissions amounted to 128,800 tons (142,500), and indirect emissions 300,600 tons (300,300). The values of the preceding year have been adjusted due to an earlier miscalculation of emissions from indirect energy.</p>	
CO ₂ emissions relative to sales		<p>11.7 tons per SEK M (13.0). Value for preceding year adjusted, see above. Compared with last year, there was an improvement during 2019, both through greater energy efficiency and investments.</p>	<p>The "20 by 20" climate goal aims to achieve a 20 percent reduction of CO₂ emissions (within Scope 1 and 2) in relation to sales in the 2015–2020 period.</p> <p>Energy efficiency is supported by the Energy Excellence initiative (pages 38–39) and has been a prioritized method to reduce emissions. This is supplemented by investments and a transition to renewable energy. Read more in "Trelleborg and climate" on page 41.</p>
		<p>tons CO₂</p> <p>t/SEK M</p> <p>500,000</p> <p>250,000</p> <p>0</p> <p>15 16 17 18 19</p> <p>— Share of indirect emissions — Share of direct emissions — Pro forma incl. the CGS acquisition, full year</p>	

Symbols: ■ = Internal, all units ■ = Internal, all production units ■ = Internal, certain units □ = External, suppliers

Resources	Where?	Outcome 2019	Goals and main governance
WATER		In 2019, water usage, meaning water for production and sanitary water, increased slightly in absolute terms but declined relative to sales.	Even if water use is one of the central environmental key figures reported, a decrease in consumption is most crucial in production areas with water shortages, or where water shortages can be expected. Refer to pages 39–40.
Water use		2.31 million m ³ (2.29)	
Water use relative to sales		63.1 m ³ per SEK M (67.4)	
Water withdrawal		60 percent municipal water (60) 20 percent from the company's own wells (19) 19.5 percent surface water (rivers, lakes, etc.) (20) 0.5 percent other sources (1)	
WASTE		In 2019, the amount of waste decreased slightly in absolute terms despite rising production volumes, and declined even further relative to sales. The volume of hazardous waste decreased clearly, which was in line with goals. Waste management methods, both for hazardous waste and other waste, are shown in the diagram on the right below.	Waste minimization is an expressed goal in the Manufacturing Excellence initiative, which is conducted in all production units and is followed up on a monthly basis, see also page 35. The volume of hazardous waste is to gradually decrease.
Waste volume		54,600 tons (54,700). Of the total volume, rubber accounted for 30 percent (30) Hazardous waste totaled 4,780 tons (5,240), a decrease of 9 percent since the preceding year.	
Waste volume relative to sales		1.5 tons per SEK M (1.6)	
Waste cost		SEK 69 M (59)	
Waste management		1 percent to internal material recycling (1) 46 percent to external material recycling (48) 15 percent for energy recovery (15) 4 percent to incineration (3) 27 percent to landfill (23) 8 percent for other disposal (11) The distribution between methods for handling non-hazardous waste and hazardous waste is presented in the diagram to the right. The handling method was chosen by the supplier in just under half of the cases. In about a quarter of cases, the method was chosen by Trelleborg, and in about a third of cases the chosen method was the only available.	
EMISSIONS		Emissions of volatile organic compounds (VOC), both in total and relative to sales, clearly declined during the year despite increased production volumes. The year's decrease in emissions of sulfur dioxide is primarily attributable to the transition to biofuel for steam production in Sri Lanka. Emissions of nitrogen oxides decreased despite higher production volumes.	Reducing <i>volatile organic compounds</i> (VOC) emissions is a priority both from an environmental and health perspective. Significant emissions comprise mainly VOC, defined according to EU standards.
VOC		564 tons (655)	
VOCs relative to sales		0.015 tons per SEK M (0.019)	
Sulfur dioxide		113 tons (181)	
Nitrogen oxides		55 tons (62)	



Symbols:  = Internal, all units  = Internal, all production units  = Internal, certain units  = External, suppliers

OUTCOME IN 2019 IN THE AREA OF COMPLIANCE

Compliance	Where?	Outcome 2019	Goals and main governance
Anti-corruption and competition law	■	2,893 employees (630) underwent training in anti-corruption, competition law, contract management and so forth. This included both traditional classroom training and, increasingly, online training (e-learning, webinars).	Zero tolerance applies to all types of bribery, corruption, cartel and other criminal behavior. Knowledge about relevant Group policies and the Code of Conduct is a requirement that is ensured through recurring training sessions for all employees, which are supplemented with special training programs in the area.
Training in the Code of Conduct	■	A new Code of Conduct was launched in 2019, and 85 percent (83) of all Group employees underwent training in the new Code of Conduct during the year.	In line with this aim, employees underwent training sessions, through e-learning or classroom training during the year.
Compliance (general)	■	There were zero (0) reported significant breaches of laws and permits during the year.	Local governance in accordance with the Code of Conduct and local legislation. All significant cases in terms of fines and sanctions are reported to Group Legal and are included in reporting. The Compliance Task Force is a central forum for all compliance issues, refer to pages 42–43.
Compliance (environmental)	■	3 cases (2) of fines or sanctions for breaches of environment or OHS-related laws and regulations were reported, totaling SEK 243,000 (40,000)	Local governance in accordance with the Code of Conduct, permits and local legislation. All significant cases in terms of fines and sanctions are reported to Group Legal and are included in reporting.
Whistleblower cases	■	During the year, 17 matters (18) were reported via the Whistleblower system, most of which concerned complaints about local management and measures such as staff reductions. In some cases, reviews were carried out and identified non-compliances with the Group's Code of Conduct and policies, and relevant measures have been taken in these cases.	Trelleborg's Whistleblower Policy implies that every employee is entitled to report suspicions of legal or regulatory violations without repercussions.
Discrimination	■	11 cases (7) of discrimination from the US, UK and Mexico were reported and reviewed. In 8 of the cases, a settlement was reached between the parties or other relevant measures were taken. 3 cases (3) are under investigation.	Zero tolerance applies to discrimination (reported and reviewed cases). Local governance in accordance with the Code of Conduct. Reported cases are dealt with at local level and reported centrally.
Freedom of association	■	51 percent (54) of employees are represented by a trade union through collective agreements. In China, however, certain restrictions related to freedom of association apply.	The right to freedom of association, through union or other personal representation, and collective bargaining, is highlighted in the Code of Conduct.
Child labor	■ □	Zero breaches (0) were reported in 2019.	Zero tolerance applies to child labor, which is also seen as an area of particular importance in the supplier reviews conducted in part through a questionnaire, and in part through selected cases in supplier audits.
Forced labor	■ □	Zero breaches (0) were reported in 2019.	Zero tolerance applies to forced labor, which is also seen as an area of particular importance in the supplier reviews conducted in part through a questionnaire, and in some cases via supplier audits.
Suppliers	□	Supplier reviews were carried out corresponding to 86.4 percent (85.5) of the reported relevant purchasing spend. 2 ongoing investigations were reported in December 2019 (0). 1 supplier relationship (1) was terminated in 2019 for reasons related to the Code of Conduct. 10 supplier audits (22) were conducted in 2019 in China, which involved visits to suppliers. The most serious breaches that were rectified included the lack of evacuation plans.	The goal is to only work with suppliers who adhere to applicable sections of Trelleborg's Code of Conduct. Reviews, including self-assessments, are to be completed with at least 80 percent of the reported relevant purchasing spend. Site visits with an audit of "at-risk suppliers" (selection based on geographic and material risk assessment) supplement the self-assessments. Since 2016, 61 supplier audits have been conducted (51), of which a limited number were additional visits to previously audited suppliers. The audits have been conducted mainly in China, but also in India, Turkey and Indonesia. Refer also to page 44.
Environmental management systems	■	At the end of 2019, 89 units (87) were certified under ISO 14001, corresponding to 73 percent (73) of all facilities.	The goal is that all major production units will have an ISO 14001-certified environmental management system.
Unplanned emissions	■	During the year, zero unplanned emissions were reported (2).	Local governance of all handling operations subject to permits, even via the environmental management systems in accordance with ISO 14001.
Remediation of contaminated soil	■	Contaminated soil is currently being remediated at 9 units (9). Another 11 facilities (11) are expected to require remediation, although the extent has not yet been determined. Provisions for environmental liabilities amounted to SEK 58 M (62).	Trelleborg is also active as one of several parties in additional cases of remediation, although with marginal liability for costs.
Environmental studies	■ □	In 2019, 16 environmental studies (18) of facilities were performed in conjunction with potential acquisitions or closures.	Environmental studies are conducted to assess and outline the environmental impact and identify potential environmental liabilities for the company in question.

Symbols: ■ = Internal, all units ■ = Internal, all production units ■ = Internal, certain units □ = External, suppliers or acquisition candidates

OUTCOME IN 2019 IN THE AREA OF DIVERSITY

No performance measures in this area were reported in 2019 due to insufficient data quality.

OUTCOME IN 2019 IN THE AREA OF SOCIAL ENGAGEMENT

Community engagement	Where?	Outcome 2019	Goals and main governance												
Distributed economic value	<div><div></div><div></div></div>	<p>In total, Trelleborg's operations generated economic value of SEK 36,670 M (34,601) of which SEK 33,035 M (31,148) is distributed between stakeholders (suppliers, employees, shareholders, creditors, society). See details on page 19.</p> <p>Distributed value 2019</p> <table><thead><tr><th>Stakeholder</th><th>Percentage</th></tr></thead><tbody><tr><td>Suppliers</td><td>59.0%</td></tr><tr><td>Employees</td><td>33.4%</td></tr><tr><td>Shareholders</td><td>3.9%</td></tr><tr><td>Society</td><td>2.3%</td></tr><tr><td>Creditors</td><td>1.4%</td></tr></tbody></table>	Stakeholder	Percentage	Suppliers	59.0%	Employees	33.4%	Shareholders	3.9%	Society	2.3%	Creditors	1.4%	<p>The company's value creation for surrounding society is described in both monetary terms (in the annual report) and through transparent sustainability reporting.</p> <p>Value generation is accented by Trelleborg's various products and solutions that contribute to the sustainability of society (more on pages 36–37).</p>
Stakeholder	Percentage														
Suppliers	59.0%														
Employees	33.4%														
Shareholders	3.9%														
Society	2.3%														
Creditors	1.4%														
Local communities	<div><div></div></div>	<p>Educational and development programs continued to be run in Sri Lanka (one pre-school, two schools for pupils at the equivalent of secondary level), India, Sweden and a number of other countries in 2019. A new program for school children in China was started in 2019.</p>	<p>Good relationships with local communities wherever the company operates is one goal that Trelleborg strives to achieve through local – and sometimes centrally supported – educational and development initiatives, often targeting children and young people. Group-wide programs are coordinated by Group Communications.</p>												

Symbols: = Internal, all units = Internal, all production units = Internal, certain units = External

GRI STANDARDS INDEX OVERVIEW

Material sustainability issues have been grouped in the table in areas with page references that conform to the GRI Standards Reporting Guidelines, according to the Core option. A supplementary index related to the UN Sustainable Development Goals can be found on page 131.

Material sustainability aspects according to GRI can be found under the respective report area in the first column. Those that do not constitute specific GRI Aspects are written in *italics*.

The second column contains material GRI disclosures for the respective sustainability aspect, with page references in the third column. Unless specified otherwise, the disclosures refer to the 2016 standards.

Reference to descriptions of governance (Management Approach Disclosures, MAD) for each focus area, can be found in the second column in white figures.

The fourth column contains references to the UN Global Compact, which Trelleborg signed back in 2007.

A more detailed GRI Content Index with boundaries and omitted parts is included in the separate Sustainability Report for 2019. This will be available for download from April 2020 on [www.trelleborg.com/About Us/Sustainability](http://www.trelleborg.com/About%20Us/Sustainability).

The 2019 Sustainability Report is prepared according to guidelines for *Sustainability reporting in compliance with the Swedish Annual Accounts Act*, see the color coding below and the explanations at the bottom of the page.

AREAS/ SUSTAINABILITY ASPECTS	GRI DISCLOSURES	PAGES IN THE 2019 ANNUAL REPORT	Connection to principles in the UN Global Compact
Company's Sustainability Profile			
CEO's comments	102-14	3–7	
Trelleborg profile, incl. business model, overriding targets and governance as well as risks and opportunities	102-1 – 102-10, 102-15, 102-18	Cover, 1, 10–13, 14–15, 18, 34–37, 47, 49, 53–55, 60–63, 96, 141	3, 6
Code of Conduct/Group policies, Whistle-blower Policy and external initiatives	102-12 – 102-13, 102-16, 102-17	18–19, 39–41, 43, 44–45, 68, 130–131	
Stakeholder engagement	102-40 – 102-44	19, 43, 126–129	
Report profile, incl. materiality analysis	102-45 – 102-56	94–95, 126–129, 130, 132, 136, 137, 140–141	
Focus areas with sustainability aspects based on GRI Standards			
1 Compliance	103-1 – 103-3	42–44, 128,	
Anti-corruption	205-2 – 205-3	15, 42–43, 134, 139	10
Competition issues	206-1	15, 42–43, 134	
Regulatory compliance (general)	419-1	15, 43, 134, 139	
Regulatory compliance (environmental)	306-3, 307-1	44, 134, 139	7
Non-discrimination	406-1	15, 43, 134, 139	1, 2, 6
Freedom of association and collective bargaining	407-1	43, 134, 139	1, 2, 3
Child labor	408-1	15, 43, 134, 139	1, 2, 5
Forced labor	409-1	15, 43, 134, 139	4
Suppliers and compliance in supply chain	308-2, 414-1 – 414-2	15, 44, 134, 139	
2 Resources	103-1 – 103-3	38–41, 128,	
Energy	302-1, 302-3 – 302-4	15, 38–39, 132, 139	7, 8, 9
Climate and emissions	305-1 – 305-5, 305-7	15, 52–53, 59–61, 132, 139	7, 8, 9
Water	303-1 (2018), 303-3 (2018)	39, 133, 139	7, 8, 9
Waste	301-2, 306-2	40, 133, 139	7, 8, 9
Chemicals	102-11	38, 40	
Health and safety	403-1 (2018), 403-8 – 403-10 (2018)	15, 38, 132, 139	6
3 Diversity	103-1 – 103-3	46–47, 128	
Professional development	404-2	46–47	
Group diversity policy and categories	405-1	46–47, 63, 139	6
4 Social engagement	103-1 – 103-3	48–49, 128,	
Community development and value distribution	201-1, 413-1	15, 19, 48–49, 135, 139	1

Requirements in the Annual Accounts Act concerning sustainability reporting: ● Business model ● Risks ● Policy/Target ● Anti-corruption ● Environment ● Human rights ● Social conditions incl. diversity

ASSURANCE REPORT – SUSTAINABILITY

Auditor's Limited Assurance Report on Trelleborg AB's Sustainability Report and statement regarding the Statutory Sustainability Report

This is the translation of the auditor's report in Swedish.

TO TRELLEBORG AB (PUBL)

Introduction

We have been engaged by the Board of Directors of Trelleborg AB to undertake a limited assurance engagement of the Trelleborg AB's Sustainability Report for the year 2019. The Company has defined the scope of the Sustainability Report below the table of contents of the Annual Report and the Statutory Sustainability Report on page 62.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with the applicable criteria and the Annual Accounts Act respectively. The criteria are defined below the table of contents of the Annual Report, and are part of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report

has been conducted in accordance with FAR's accounting standard RevR 12. The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Trelleborg AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Malmö 20 February 2020
Deloitte AB

Signature on Swedish

Hans Warén
Authorized Public Accountant

Signature on Swedish

Lennart Nordqvist
Expert Member of FAR

TEN-YEAR OVERVIEW

Trelleborg Group (SEK M unless otherwise stated)	2019	2018	2017	2016	2015	2014	2013	2012 ¹	2011	2010
Net sales	36,588	34,005	31,581	27,145	24,803	22,533	21,473	21,262	21,043	19,735
EBIT	962	4,518	4,022	3,105	2,962	2,775	2,203	2,353	2,093	1,667
Profit before tax	581	4,236	3,792	2,896	2,809	2,641	2,006	2,199	1,929	1,501
Net profit/loss, continuing operations	-199	3,190	2,874	2,216	2,096	1,938	1,419	1,711	1,333	1,089
Net profit, discontinuing operations	-	-	-	4,369	509	289	198	346	505	94
Total net profit/loss	-199	3,190	2,874	6,585	2,605	2,227	1,617	2,057	1,838	1,183
- shareholders of the Parent Company	-199	3,190	2,874	6,585	2,603	2,221	1,609	2,042	1,819	1,162
- non-controlling interests	0	-	-	-	2	6	8	15	19	21
Equity	29,226	30,126	27,216	25,137	18,622	17,776	14,877	14,012	13,504	12,196
Capital employed ²	44,709	41,118	37,817	38,246	25,492	25,157	20,713	19,751	20,107	18,635
Net debt ²	14,914	10,499	10,154	12,784	6,837	7,777	6,087	5,880	6,958	6,953
Total assets	56,341	51,749	48,612	48,354	34,390	33,067	27,288	27,224	28,691	27,314
Equity/assets ratio, %	52	58	56	52	54	54	55	51	47	45
Debt/equity ratio, % ²	51	35	37	51	37	44	41	42	52	57
Capital turnover rate, multiples ²	0.8	0.8	0.8	0.8	0.9	1.0	1.0	1.2	1.5	1.4
Investments in property, plant and equipment ³	1,632	1,822	1,343	1,074	1,241	962	852	967	1,075	792
Investments in intangible assets	165	121	94	74	73	63	70	76	61	47
Cash flow attributable to acquisitions	-3,066	-440	-226	-13,380	-681	-1,912	-234	-744	-746	-165
Cash flow attributable to discontinuing operations	-	4	649	6,165	1,390	152	-19	448	478	445
Free cash flow	2,691	2,068	2,434	2,368	1,452	1,751	965	1,714	675	806
Free cash flow per share, SEK ⁴	9.93	7.63	8.98	8.74	5.36	6.46	3.56	6.32	2.49	2.97
Return on shareholders' equity, %	-0.7	11.1	11.0	30.1	14.3	13.6	11.2	15.0	14.3	9.5
Earnings per share, SEK ⁴	-0.73	11.77	10.60	24.30	9.60	8.20	5.93	7.53	6.71	4.29
Dividend to shareholders in the Parent Company ⁵	1,288	1,288	1,220	1,152	1,084	1,017	881	813	678	474
Dividend per share, SEK ⁵	4.75	4.75	4.50	4.25	4.00	3.75	3.25	3.00	2.50	1.75
Shareholders' equity per share, SEK ⁴	107.78	111.14	100.40	92.73	68.70	65.54	54.72	51.56	49.20	44.56
Average number of employees	22,952	22,420	22,112	19,423	15,713	15,425	14,827	16,702	20,274	20,042
- of whom, outside Sweden	21,827	21,286	20,990	18,312	14,533	14,196	13,563	15,220	18,502	18,230

Continuing operations excluding items affecting comparability ⁶

EBITA	5,020	5,003	4,385	3,700	3,325	3,064	2,685	2,390	2,280	1,897
EBIT	4,658	4,694	4,091	3,496	3,219	3,001	2,613	2,342	2,231	1,840
Profit before tax	4,277	4,412	3,861	3,287	3,066	2,867	2,416	2,188	2,067	1,675
Net profit	3,222	3,345	2,934	2,503	2,277	2,116	1,777	1,643	1,436	1,225
EBITA margin, %	13.7	14.7	13.9	13.6	13.4	13.6	12.5	11.2	10.8	9.6
EBIT margin, %	12.7	13.8	13.0	12.9	13.0	13.3	12.2	11.0	10.6	9.3
Return on capital employed, % ²	9.8	11.4	10.6	11.0	14.0	15.4	14.7	13.5	13.3	11.2
Return on shareholders' equity, %	10.9	11.7	11.2	11.4	12.5	12.9	12.3	12.0	11.2	10.0
Earnings per share, SEK	11.89	12.34	10.82	9.23	8.39	7.79	6.52	6.03	5.26	4.49
Operating cash flow ²	4,174	3,495	3,739	3,548	2,310	2,766	2,198	2,295	1,546	1,710
Operating cash flow per share, SEK ²	15.40	12.89	13.79	13.09	8.53	10.20	8.11	8.47	5.70	6.31
Cash conversion ratio, % ²	90	74	91	101	72	92	84	98	69	93
Average number of employees	22,952	22,420	22,112	19,423	15,713	15,425	14,827	13,905	14,306	13,327

Continuing operations including items affecting comparability ⁶

Return on shareholders' equity, %	-0.7	11.1	11.0	10.1	11.5	11.9	9.8	12.5	10.4	8.9
Earnings per share, SEK	-0.73	11.77	10.60	8.18	7.73	7.13	5.20	6.27	4.88	3.99

¹ Figures for 2012 have been adjusted for the transition effects of the amendment to IAS 19.

² The comparative figures have been adjusted due to the reclassification of the pension liability from capital employed to net debt.

³ Excluding investments in right-of-use assets recognized in accordance with IFRS 16.

⁴ The average number of shares was adjusted in accordance with IAS 33. This calculation was applied to all key figures that include the number of shares. No dilutive effects occurred.

⁵ Dividend in accordance with the proposed treatment of unappropriated earnings.

⁶ For comparability, historical values have been adjusted for discontinuing operations.

SUSTAINABILITY TEN-YEAR OVERVIEW

Focus area	Key figures	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Compliance											
Compliance (general)	Number of material breaches of laws and permits during the year	0	0	0	0	0	0	0	0		
Compliance (environmental)	Number of breaches of laws and permits resulting in fines or sanctions	3	2	5	3	4	3	0	2	4	2
Discrimination	Number of reported cases	11	7	5	5	8	1	1	8	4	6
Freedom of association	Number of employees that are represented by a trade union through collective agreements	51	54	53	54.7	52.2	48.1	51.5	43.5	49	53
Child and forced labor	Number of reported cases	0	0	0	0	0	0	0	0	0	0
Supplier reviews	Reviewed suppliers' share of the relevant purchasing spend	86.4	85.5	84	80.6	84	84	81.4	79.5	75	25
	Number of audits of at-risk suppliers during the year (started 2015)	10	22	15	14	12					
Resources											
Employees	Number of employees at year-end	23,935	24,045	23,152	23,245	16,450	16,552	15,825	15,280	21,307	20,393
Health and safety	LWC (Lost Work Cases – cases resulting in at least one day's absence)	361	422	438	402	238	223	209	255	384	416
Energy	Total energy consumption, GWh	1,414	1,486	1,493	1,248	942	903	873	859	1,232	1,198
	Energy consumption, GWh per SEK M	0.039	0.044	0.047	0.047	0.038	0.040	0.041	0.040	0.042	0.044
Climate	Total CO ₂ emissions, metric tons	429,400	442,800	487,200	385,000	280,000	276,900	260,800	244,600	385,000	347,000
	CO ₂ emissions, metric tons per SEK M	11.7	13.0	15.4	14.2	11.3	12.3	12.1	11.5	13.2	12.8
Water	Water usage, million m ³	2,31	2.29	2.36	2.18	1.85	1.98	2.0	1.9	2.7	2.5
	Water usage, m ³ per SEK M	63.1	67.4	74.7	80.4	74.6	87.7	88.5	90.9	92	91.9
Emissions	VOC emissions, metric tons	564	655	952	1,005	903	1,195	1,049	854	1,816	1,737
	VOC emissions, metric tons per SEK M	0.015	0.019	0.030	0.037	0.036	0.053	0.049	0.040	0.062	0.064
	SO _x emissions, metric tons	113	181	187	184	204	216	189	263	391	358
	NO _x emissions, metric tons	55	62	65	54	45	41	38	42	60	57
Waste	Waste, metric tons	54,600	54,700	53,500	50,600	44,500	44,700	45,350	43,400	62,100	59,300
	Waste, metric tons per SEK M	1.5	1.6	1.7	1.9	1.8	2.0	2.1	2.0	2.1	2.2
Diversity											
Gender	Percentage of women on the Board	38	38	38	33	33	29	29	29	29	29
Social engagement											
	Sales, SEK M	36,588	34,005	31,581	27,145	24,803	22,515	21,473	21,262	29,106	27,196
	Economic value distributed among stakeholders, SEK M	33,035	31,148	29,127	25,053	22,797	20,808	20,211	19,850	27,010	24,795
	Taxes paid, SEK M	763	919	732	593	472	627	587	460	480	294

All data in this overview was reported in the respective years, with the exception of climate figures for 2018, which were adjusted in 2019.



Trelleborg Series B share has been reconfirmed as a constituent of the Ethibel Sustainability Index (ESI) Excellence Europe as of October 18, 2019. The ESI index comprises companies that are included in the Russell Global Index and that display the best results in the area of Corporate Social Responsibility.

TRELLEBORG ON THE INTERNET, IN YOUR MOBILE AND ON YOUR TABLET

ANNUAL REPORT

Trelleborg distributes a paper version of the Annual Report only to those who have specifically requested a copy. If you wish to receive a paper copy of the Annual Report, it can be ordered on the company's website.

FINANCIAL CALENDAR 2020

Annual General Meeting (Trelleborg)	April 23, 5:00 p.m.
Interim report January–March	April 23
Interim report April–June	July 20
Interim report July–September	October 27
Year-end report 2020	February 10, 2021



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See our films on YouTube:

www.youtube.com/trelleborg

INFORMATION ABOUT THE 2020 ANNUAL GENERAL MEETING

The Annual General Meeting of Trelleborg AB (publ) will be held on Thursday, April 23, 2020, at 5:00 p.m. in Söderslätts hallen in Trelleborg, Sweden.



Program

2:45 p.m. Registration and refreshments

3:30 p.m. Meeting hall opens

5:00 p.m. Annual General Meeting commences

Notification. Shareholders who wish to participate and vote in the Meeting must be entered in the share register maintained by Euroclear Sweden AB by Friday, April 17, 2020, at the latest, and notify the company of their intention to participate – with any advisors – not later than on the same date.

Shareholders whose shares have been registered in the name of a trustee, must have temporarily re-registered the shares in their own name by Friday, April 17, 2020. Such registration should be requested of the trustee a couple of working days in advance of this date.

Notification of attendance via:

- » the Group's website: www.trelleborg.com
- » post to Trelleborg AB, "Årstämman", c/o Euroclear Sweden AB, PO Box 191, SE-101 23 Stockholm, Sweden
- » telephone to: +46 410 670 04

The notification should state the shareholder's full name, personal identity number and telephone number. If participation is supported by power of attorney, the power of attorney – assuming the issuer of the power of attorney is a legal entity – and documents proving the signatory's authorization must be sent to the company prior to the Meeting. The details provided will only be used in connection with the Meeting and for preparing the voting list.

Proposals to the 2020 Annual General Meeting. Proposed dividend:

The Board of Directors propose a cash dividend of SEK 4.75 (4.75) per share to be paid to the shareholders. Monday, April 27, 2020 is proposed as the date of record. If the Meeting approves the proposal, the dividend is expected to be distributed by Euroclear Sweden AB on Thursday, April 30, 2020.

The complete notification of the Annual General Meeting will be available at www.trelleborg.com.

Trelleborg AB is a public limited liability company. Corporate Registration Number: 556006-3421. The Group's headquarters are in Trelleborg, Sweden. The Annual Report is published in Swedish and English. The 2018 Annual Report was published in March 2019.

All values are expressed in Swedish kronor. Kronor is abbreviated to SEK and millions of kronor to SEK M. Unless otherwise stated, figures in parentheses relate to the preceding fiscal year, 2018. All figures in the section "The year in brief" and "Trelleborg's business areas" relate to continuing operations, unless otherwise stated.

This report contains forward-looking statements that are based on the current expectations of the management of Trelleborg. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors.

This Annual Report was produced in collaboration with RHR Corporate Communication in Malmö, Sweden. It was printed by DanagårdLitho on environmentally certified paper, using vegetable-based inks based on renewable raw materials and using 100 percent renewable energy. Translation by The Bugli Company.



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Trelleborg is a world leader in engineered polymer solutions that seal, damp and protect critical applications in demanding environments. Its innovative solutions accelerate performance for customers in a sustainable way.

The Trelleborg Group has annual sales of about SEK 37 billion and operations in about 50 countries. The Group comprises three business areas: Trelleborg Industrial Solutions, Trelleborg Sealing Solutions and Trelleborg Wheel Systems – and a reporting segment, Businesses Under Development.

The Trelleborg share has been listed on the Stock Exchange since 1964 and is listed on Nasdaq Stockholm, Large Cap.

WWW.TRELLEBORG.COM