

**WE SEAL, DAMP
AND PROTECT CRITICAL
APPLICATIONS**

**2022 ANNUAL REPORT WITH
SUSTAINABILITY REPORT**



Protecting the Essential

Trelleborg Group is a world leader in engineered polymer solutions. The Group's continuing operations had annual sales of approximately SEK 30 billion in 2022 and operations in about 40 countries.



Trelleborg protects the essential in society – people, the environment and infrastructure. As a world leader in engineered polymer solutions, Trelleborg contributes to solving customers' challenges and strengthening their sustainability profiles. Trelleborg aims to outperform in everything it does.

The Group has a clear strategy focused on fast-growing industries of the future, including aerospace and healthcare & medical, as well as areas such as industrial automation and electrification. Its materials and applications expertise, insight into cutting-edge areas and innovation capabilities sets Trelleborg apart.

Trelleborg works in close partnership with its customers, providing a local presence, backed up by global resources, strength and capabilities.

Trelleborg is building on its position as a sustainability leader in its industry, increasing the share of recycled and recyclable materials in products and helping customers transition to a low-carbon economy. In this way, Group is protecting the essential not only for now, but for the future.

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● = Included in the audited annual accounts and consolidated accounts.

Operations 2022 and strategy

Risk, risk management and corporate governance

Financial and Sustainability-related information

Other information

BOARD OF DIRECTORS' REPORT

This is a translation of Trelleborg's definitive Annual Report for 2022 in Swedish. The Swedish-language version is the original. The audited annual accounts and consolidated accounts for the 2022 fiscal year are included on pages 8–13, 16–17, 28–35, 38–41, 54–57 and 64–110. The Board of Directors' Report comprises pages 8–13, 16–17, 28–35, and 38–41.

OTHER EXTERNAL ASSURANCE

The auditor has performed a limited assurance of the sustainability report, pages 9 and 116–135. Refer to the Assurance Report on page 136, which includes the auditor's opinion regarding the statutory sustainability report in accordance with FARs auditing standard RevR 12. The auditor has examined the corporate governance statement, pages 43–53, in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement, which is included as a separate report.

SUSTAINABILITY REPORT ACCORDING TO GRI STANDARDS

Trelleborg reports on sustainability in 2022 in accordance with the GRI Standards: Core option. The scope of the Sustainability Report is outlined in the GRI Content Index on page 135. For more information and a detailed GRI Content Index, refer to the separate 2022 Sustainability Report, which can be downloaded as of April 2023 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.



The cover shows Trelleborg's polyurethane-coated fabrics that have been developed for aircraft evacuation slides.

Trelleborg and 2022 in brief

Trelleborg's performance was strong in 2022 despite the continuing turbulence in the external environment. The Group reported a record in terms of net sales, operating profit, operating margin, and earnings per share.

Key figures in this annual report relate to continuing operations, unless otherwise stated.

30,095

NET SALES, SEK M
(23,789)

5,066¹

EBIT, SEK M (3,903)

16.8%¹

EBIT MARGIN (16.4)

74%

CASH CONVERSION RATIO (85)

13.80¹

EARNINGS PER SHARE, SEK
(10.26)

40

NUMBER OF COUNTRIES
WITH OPERATIONS

16,701

NUMBER OF EMPLOYEES

25

NUMBER OF R&D CENTERS

28%²

CLIMATE: EMISSION
IMPROVEMENT 2022

17%

ORGANIC AND STRUCTURAL
SALES GROWTH (16)

15.9%¹

RETURN ON CAPITAL
EMPLOYED (15.1)

NET SALES PER INDUSTRY, %



9%

AEROSPACE



16%

AUTOMOTIVE



8%

HEALTHCARE & MEDICAL



67%

GENERAL INDUSTRY

NET SALES PER GEOGRAPHIC MARKET, %

46%

EUROPE

33%

NORTH AND SOUTH AMERICA

21%

ASIA & OTHER MARKETS

¹ Excluding items affecting comparability.

² 28 percent is the improvement for the year in emissions intensity. For 2021–2022, the figure is 35 percent.

Committed to improvement – even more profitable, customer-centric and circular

During the year, Trelleborg's net sales increased 27 percent compared with the preceding year as a result of increased order intake, completed acquisitions and a positive impact from exchange rates. The Group's earnings and margin, excluding items affecting comparability, were the best to date for Trelleborg.

This interview with President and CEO Peter Nilsson is essentially based on continuing operations, meaning the Group's situation and outlook following the divestment of the Trelleborg Wheel Systems business area.

The divestment, agreed in March 2022 and expected to be finalized in the first half of 2023, means Trelleborg will sell its tire operation to Yokohama Rubber Company for EUR 2.1 billion.

For Trelleborg, the main reasons for the transaction were that the tire market is relatively cyclical and, in parallel, the business model and business logic of Trelleborg Wheel Systems – with its distributor-based infrastructure – differs from other parts of the Group.

The valuation of Trelleborg Wheel Systems in conjunction with the divestment was, according to Trelleborg, advantageous compared with the valuation of other similar companies. Above all, though, the new Trelleborg will be a company with a more cohesive portfolio with operations that have similar business models and drivers, which will be easier for the stock market to evaluate. The transaction will create new opportunities for the Group moving forward.

How would you summarize 2022 for Trelleborg?

It was an eventful year for us as a Group and for the world as a whole. Looking back on 2022, it was a record 12 months for Trelleborg in terms of operating profit and margin. I believe the repositioning of Trelleborg was clearly appreciated by our owners.

Two historic decisions were taken during the year to alter the direction of the Group. One related to the divestment of our well renowned tire operation, Trelleborg Wheel Systems, and the other to the acquisition of Minnesota Rubber & Plastics.

With the divestment of Trelleborg Wheel Systems, we admittedly let go of a very well-managed business, but it

was also relatively cyclical, capital and energy-intensive. The acquisition of the well-positioned Minnesota Rubber & Plastics redrew the map for our sealing operation, making the operation as strong in North America as its previously established position in Europe. Overall, these changes meant that Trelleborg, as it continues, has a more cohesive portfolio of operations with similar business models and drivers. This will make it easier for the stock market to analyze us and compare the Group with other companies. Furthermore, we increase exposure, in relative terms, to fast-growing industries such as aerospace, healthcare & medical and a number of other attractive niches. This offers us a better overall growth profile. With our products and solutions for applications in electrification and industrial automation, we also stand relatively strong during this transformative change, as well as during the ongoing energy supply transition, which, among other things, will see an increase in LNG transportation.

The year began well with strong growth and improved profitability in the wake of the Coronavirus pandemic. This positive trend was interrupted by Russia's war with Ukraine. The greater geopolitical uncertainty that followed contributed to increased inflationary pressure and challenges in the supply chain.

However, Trelleborg's sales remained positive, particularly in the first half of the year, and we responded well to the challenges. We know our customers' applications and have expert know-how in material selection and solutions. This means they continue to partner with us as a supplier despite tougher times that require price adjustments. In addition, we have a strongly decentralized and local organization with the advantages of a global company, which enables us to quickly adapt to fluctuating market conditions.

Liquefied Natural Gas (LNG) has a crucial role in the ongoing transition from fossil fuels to less carbon-intensive forms of energy. LNG can be effectively stored in large tanks and transported over long distances from where it is produced to where it is consumed using specially adapted vessels. With more LNG shipped at sea, demand has increased for LNG terminals on land.

Trelleborg has a broad range of solutions to handle LNG, from smart berthing and mooring to marine fenders and cryogenic hoses, seals and transfer systems. All design and product development work for LNG focuses on safety. The products and solutions undergo extensive testing, both at the production facilities and when installed at a location.

EBIT for continuing operations, excluding items affecting comparability, amounted to SEK 5,066 M, an increase of 30 percent.

The operating margin was 16.8 percent, the highest to date for a calendar year.

“Looking back on 2022, it was a record 12 months for Trelleborg in terms of operating profit and margin.”



How was Trelleborg affected by inflation – such as price increases for raw materials, energy and salaries?

The inflation we saw in 2022 was, to a certain extent, due to the war in Ukraine and the problems it created with energy supply, but it was also largely driven by demand. For example, this is reflected in the strong demand in the food & beverage sector, for electric vehicles and increased transportation of liquefied natural gas.

Generally, Trelleborg has a strong position in the industries and geographies in which we operate and this enables us, in consultation with customers, to manage cost increases in most cases. As part of our business philosophy, decisions are made as close to the customer as possible. This provides us with competitive flexibility and good market and customer knowledge.

Wage inflation will probably become more clearly visible even in Europe in 2023. In the current economic downturn, we can see a trend toward falling raw material prices and freight costs, so inflation rates do not offer a clear picture or explanation.

How was Trelleborg affected by lower activity and lockdowns in China?

The lockdowns as such were a challenge during the year. We managed the situation well, not least thanks to the great commitment shown by employees. Overall, the impact was therefore limited on both earnings and margins.

China has one of the world's largest domestic markets. Several Chinese companies are global leaders in their industries and are investing heavily in research and development. This makes them technology leaders in their sectors – high-speed trains and wind power are examples. In order to be a part of their journey, it's necessary to have a local presence, with production and R&D in the country. Most of our manufacturing output in China is consumed within the country and our ambition is for continued growth in this major market.

Our fundamental concept is to have a regional presence close to our customers. This is one reason why we are expanding in other countries in Asia, such as India, Japan and Vietnam. We want to be close to our customers in expanding and profitable industries, following them in their globalization processes and naturally also developing local customer relationships. We strongly believe in our ability to combine a local organization with the competence, presence and financial opportunities of a global company.

How will you use the funds generated from all the divestments in recent years?

The divestment of the tire operation will give us a strong balance sheet that offers us flexibility. This situation means we can accelerate growth in the Group, both organically by strengthening existing operations through various investments, and through acquisitions, while also enabling the return of capital to shareholders.

We work methodically with various growth initiatives in the Group aimed at achieving our financial targets and bolstering our already strong positions in selected industries and geographies. We are investing in product development, more efficient production and sales, expansion and new builds, but will also implement restructuring measures if necessary.

When it comes to acquisitions, these are often bolt-on acquisitions to quickly establish a presence in a closely-related niche in a specific industry; obtaining new technologies and applications or reaching new geographies. During the year, we acquired six companies that all operate in profitable niches and that strengthen our offering to customers. More similar bolt-on acquisitions are in the pipeline.

That said, we remain committed to making the ongoing share repurchase program a multi-year program and the intention is to make renewed proposals for this to future annual general meetings. The ambition is also that future annual general meetings will resolve to cancel the repurchased shares. This means that the total number of Trelleborg shares will decrease and – all other things being equal – the value of each share will increase.

The new growth focus you announced in 2021, with more resources to industries that can act as a driving force for others, how has this progressed?

A number of industries and niches are experiencing high or very high growth and Trelleborg will have a particular focus on these in order to participate in their growth journeys. The long-term ambition is that the Group's presence in these industries and niches will grow from constituting approximately 40 percent today to at least half of Trelleborg's sales.

During the year, we delivered on our established plans, meaning we allocated extra resources to areas such as aerospace, healthcare & medical, electrification and industrial automation, together with several growth

Total sales growth, organic as well as structural, is to amount to 5–8 percent over an economic cycle, of which half is to be organic growth.

areas in other industry niches. The acquisition of a manufacturer of equipment for trenchless pipe repair is one good example. The technology it uses is growing very fast, is established in Europe and is gaining momentum in North America. The acquisition is therefore a strategic addition that strengthens Trelleborg's position in the market for various solutions for pipe seals.

We carry out both organic investments and bolt-on acquisitions in growth areas. You could say we are strengthening already strong positions, but we are also adding technology, customers and sometimes further capacity. Always with a focus on these growth areas.

To what extent does the acquisition of Minnesota Rubber & Plastics replace the divested parts of Trelleborg? In what way is the acquisition strategically motivated?

The acquisition of Minnesota Rubber & Plastics was not a "replacement acquisition". It was one that can stand on its own, that has been on our wish list for some time and that we would have done our utmost to complete even without the divestment of our tire operation.

Minnesota Rubber & Plastics was already well known to us as an innovative and customer-driven company. The transaction makes us the first choice as development partner for sealing solutions to both local and global customers. The company's new ultramodern innovation hub will accelerate product development and strengthen us in R&D. There are significant synergies and I look forward to how it will further strengthen our sealing operations in North America, including in areas such as medical devices, water management and food & beverage, and in several industrial applications, that is to say typical growth areas for us.

So how would you describe the Trelleborg we can expect to see as of 2023?

It is a Trelleborg that is less cyclically sensitive and with business models that are more aligned than previously,

easier for investors to analyze and with an even clearer focus on growth industries and geographies. Our global customers view us as a preferred partner that is critical to their solutions, and we are direct price leaders in many of our niches. So, to summarize, a world-leading player with world-leading products and solutions.

What does it mean that Trelleborg wants to be a sustainability leader in its industry? Does this also apply to your products and solutions?

Being a leader in our industry is about demonstrating that we have ambitious sustainability targets and clear governance. For example, our ambition in 2023, is to set a new climate target, approved by the Science Based Target initiative. And when we effectively reduce energy consumption and our greenhouse gas emissions, then this also has an impact on our products and solutions.

We have a fundamental and obvious limitation as it is difficult to recycle rubber into something similar to virgin material, though this is also the case for our competitors. Instead, we will use recycled or bio-based materials and add these to the raw material, thereby making Trelleborg the best low-carbon alternative in the industry. In this way, we want to be better than everyone else, and better in terms of our offer to take-back products and find a circular logistics model. This is how I would describe the sustainability dimension of our industry leadership.

Can you say something about Trelleborg's work on digitalization, the internet and connected production? Perhaps even IT security and what the most important next steps are?

We want to use digitalization to streamline and simplify both internal underlying processes and administration, as well as external offerings, to ultimately provide a simple and better solution for customers.

We have used robots in our production for some

In 2022, Trelleborg acquired the US-based company Minnesota Rubber & Plastics for USD 950 M, roughly SEK 9.5 billion, on a cash and debt-free basis. If a tax asset of approximately SEK 900 M is taken into account, the purchase consideration amounts to approximately SEK 8.6 billion.

“During the year, we acquired six companies that all operate in profitable niches and that will strengthen our offering to customers.”



time and are also looking to increase automation, as well as various ways to streamline our administrative processes through artificial intelligence or other tools.

In terms of products, sealing solutions for industrial automation is one area where we are already a major player, and where we anticipate that demand will continue to grow. This is partly due to increased digitalization and automation, and partly because the trend for chargeable batteries and autonomous vehicles is becoming stronger globally.

When it comes to IT security, our focus is on minimizing disruption to critical IT systems, as well as ensuring efficient information security within and between the systems. Work in this field is proceeding well. It does however require a degree of balance, so we do not implement IT measures that make it difficult for customers to contact and cooperate with us.

Can Trelleborg find the talent it needs?

The industry as a whole is facing challenges when it comes to recruiting talent. It is a continuous struggle against other sectors to attract the best employees, and the industry and Trelleborg need to improve in this respect. The message we want to give to jobseekers is the same everywhere: that it is attractive to work in a world-leading business, and that with us there are plenty of opportunities to have an interesting global professional career. On a local basis there are many exciting technical challenges to pursue to improve the development and manufacturing of the best products of their kind in the world.

Concurrently, we must also motivate and develop our existing employees. We want them to remain with us and we are continually investing in internal education in leadership, specialist areas and training as part of our Excellence programs.

How does Trelleborg work to increase diversity within the company?

Diversity in terms of ethnicity has always been a strong area for us, and here we must ensure we maintain the good level we have among different nationalities and local management.

In terms of gender, we share the challenges facing the entire industry and industrial companies in general, in attracting more women. We will do this by improving conditions and by being a company that actively strives to attain gender equality, and this includes our ambition to achieve an even higher share of women managers.

Age is a third dimension, where we seek a good distribution of experiences. We are not bad but can become even better at recruiting younger engineers for sales and production, thus ensuring regrowth.

How do you view your own role in the company's continued development? What are the next challenges facing you and the company?

I am personally satisfied as long as I believe we are following a clear path of improvement. This is what motivates me most.

In parallel, it is important not to be governed by the constant demands for us to deliver on a quarterly basis. I prefer to talk about the journey and development moving forward and believe it is essential to maintain a focus on the long-term goals and to perform in line with our plans. We talk about the new Trelleborg as *protecting the essential* in society. I think this is one such positive long-term aim – that we want to continue to be a force for good that creates solutions that benefit people, the environment and society at large.

Trelleborg, February 2023

IN BRIEF:

- » 2022 was a record year for Trelleborg despite major challenges in the operating environment.
- » A historic decision was taken to divest the Group's tire operation, which has been part of Trelleborg since the very start in 1905.
- » Due to its position as market leader, the Group can essentially manage cost increases.
- » Investment continues to improve the Group's geographic balance, concentrating on Asia.
- » The Group continues to allocate resources to growth areas such as aerospace, healthcare & medical as well as electrification and industrial automation, together with several other growth areas in other industry niches.
- » The acquisition of Minnesota Rubber & Plastics redrew the map for the Group's sealing operation in North America and strengthens Trelleborg in selected industries.
- » With its position as the sustainability leader in its industry, Trelleborg has more ambitious targets in the area than its competitors.

Targets and outcomes 2022

The financial performance of Trelleborg was very strong during 2022. At the same time, selected key sustainability figures demonstrated a continued positive trend. The outcome for 2022 exceeded the previously set financial targets. The financial targets and outcomes reflect the continuing operations. Sustainability targets and outcomes reflect the entire Group, meaning including discontinuing operations.

SALES GROWTH		Outcome 2022	Commentary on outcome in 2022												
<p>Total sales growth, organic as well as structural, is to amount to 5–8 percent over an economic cycle, of which half is to be organic growth.</p>	<table border="1"> <caption>Sales Growth Data</caption> <thead> <tr> <th>Year</th> <th>Growth (%)</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>5</td> </tr> <tr> <td>2019</td> <td>5</td> </tr> <tr> <td>2020</td> <td>-10</td> </tr> <tr> <td>2021</td> <td>15</td> </tr> <tr> <td>2022</td> <td>17</td> </tr> </tbody> </table>	Year	Growth (%)	2018	5	2019	5	2020	-10	2021	15	2022	17	<p>17.0%</p> <p>TARGET: 5–8%</p>	<p>Demand for the Group's products and solutions was favorable during the year. Net sales increased 27 percent compared to 2021 and amounted to SEK 30,095 m (23,789). Organic sales increased 14 percent (15). Structural changes increased sales by 3 percent (1) and currency movements by 10 percent (–5) compared with the preceding year.</p> <p>Total sales growth, organic as well as structural, averaged 7.2 percent over the past five years.</p>
Year	Growth (%)														
2018	5														
2019	5														
2020	-10														
2021	15														
2022	17														
<p>The EBIT margin, excluding items affecting comparability, is to amount to at least 16 percent over an economic cycle.</p>	<table border="1"> <caption>EBIT Margin Data</caption> <thead> <tr> <th>Year</th> <th>Margin (%)</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>15.5</td> </tr> <tr> <td>2019</td> <td>15.5</td> </tr> <tr> <td>2020</td> <td>14.5</td> </tr> <tr> <td>2021</td> <td>16.5</td> </tr> <tr> <td>2022</td> <td>16.8</td> </tr> </tbody> </table>	Year	Margin (%)	2018	15.5	2019	15.5	2020	14.5	2021	16.5	2022	16.8	<p>16.8%</p> <p>TARGET: ≥16%</p>	<p>The EBIT margin was 16.8 percent (16.4). The margin improved as a result of strict cost control and good price discipline across the Group.</p> <p>The EBIT margin averaged 15.6 percent over the past five years.</p>
Year	Margin (%)														
2018	15.5														
2019	15.5														
2020	14.5														
2021	16.5														
2022	16.8														
<p>The return on capital employed (ROCE), excluding items affecting comparability, is to amount to at least 14 percent over an economic cycle.</p>	<table border="1"> <caption>ROCE Data</caption> <thead> <tr> <th>Year</th> <th>ROCE (%)</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>15.5</td> </tr> <tr> <td>2019</td> <td>14.5</td> </tr> <tr> <td>2020</td> <td>11.5</td> </tr> <tr> <td>2021</td> <td>15.5</td> </tr> <tr> <td>2022</td> <td>15.9</td> </tr> </tbody> </table>	Year	ROCE (%)	2018	15.5	2019	14.5	2020	11.5	2021	15.5	2022	15.9	<p>15.9%</p> <p>TARGET: ≥14%</p>	<p>The return on capital employed (ROCE), excluding items affecting comparability, was 15.9 percent (15.1). ROCE was positively impacted by the sharp increase in operating profit, which was partly offset by an increase in working capital resulting from the higher level of activity.</p> <p>ROCE averaged 14.2 percent over the past five years.</p>
Year	ROCE (%)														
2018	15.5														
2019	14.5														
2020	11.5														
2021	15.5														
2022	15.9														

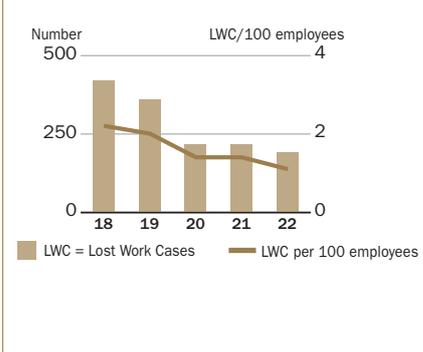
OPERATIONS

Health and safety

The target is to continuously reduce occupational injuries that lead to more than one day's absence – Lost Work Cases (LWC). For 2022, the target was less than 1.0 LWC per 100 employees in production units.

In addition, the average number of lost work days due to occupational injuries and illnesses is to steadily decrease (LWD rate).

As of 2022, LWC per 100 employees is also measured for the entire Group, including salaried employees.



Outcome 2022

1.1
LWC
per 100 employees
in production units
TARGET: <1.0

Commentary on outcome in 2022

In 2022, the average was 1.1 LWCs (1.4) per 100 employees in production units, a 21-percent improvement on the preceding year, but still higher than the target for the year, which was less than 1.0.

The number of days lost (Lost Work Day (LWD) rate), per 100 employees in production units was 33 (47).

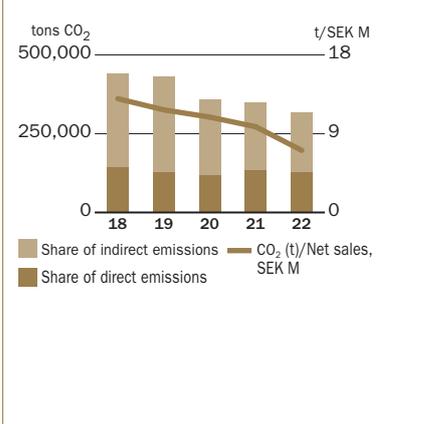
Salaried employees have also been included in a new, comprehensive key figure as of 2022: 0.9 LWC per 100 employees in total during the year.



8.8

Climate

The “50 by 25” target aims to – by the end of 2025 – reduce direct and indirect carbon emissions (Scope 1 and 2) by at least 50 percent relative to sales (compared with base year 2020 of 10.9 metric tons/SEK M). According to the target, significant improvements should also be made in Scope 3 emissions along the value chain during the same period.



-35.0%
2021-2022
compared with the
base year 2020
TARGET: -50%
2025

In 2022, the value was 7.1 metric tons (9.8) per SEK M, which corresponds to a 28-percent decrease in emissions intensity.

This yields a 35.0-percent reduction in emission intensity to date for the 2021–2022 period, compared with the base year 2020.

During 2022, Trelleborg once again analyzed its climate footprint along the value chain (Scope 3), and will set new climate targets in 2023 for the period extending to 2030 in dialog with the Science Based Targets initiative. Find out more about Trelleborg’s climate targets and vision on pages 24–25.

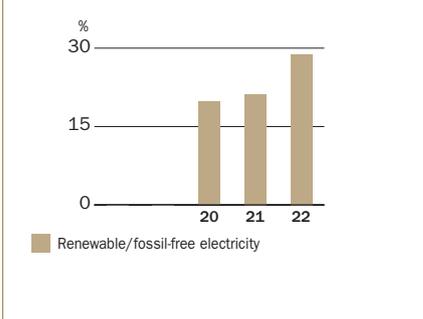


13.2

Renewable/fossil-free electricity

For Trelleborg to achieve the “50 by 25” climate target by the end of 2025, the electricity supply during the 2020–2025 period must transition to primarily renewable/fossil-free electricity. The diagram will be added to each year during the period.

One objective for Trelleborg in this transition is to have achieved 80 percent renewable/fossil-free electricity by the end of 2025.



28.8%
TARGET: 80%
2025

The outcome for 2022 was that 28.8 percent (21.2) of the total electricity consumption consisted of renewable/fossil-free electricity. Viewed in terms of continuing operations, the figure was as high as 46.6 percent.

Read more about Trelleborg’s energy supply transition on page 24.



7.2

COMPLIANCE

Suppliers

Suppliers corresponding to at least 90 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.

In 2022, Trelleborg did not meet the new target level of 90 percent. Suppliers corresponding to 88.2 percent (89.4) of the reported relevant purchasing spend in the production units were assessed.

88.2%
TARGET: >90%

The marginal change since the preceding year is primarily due to the fact that acquired units, above all Minnesota Rubber & Plastics, have added a purchasing value in 2022 but have not yet been able to establish follow-up processes. Refer also to page 132.



8.7

Anti-corruption and competition law

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

1 case (0) of significant breaches of laws and permits that resulted in legal consequences or fines was reported in 2022. Refer also to page 132.
0 cases (0) of child labor or forced labor were reported.

1
TARGET: 0 CASES
OF MATERIAL
BREACHES

Of 7 reported cases of discrimination (4), 4 (4) are still being processed. During the year, 31 matters (18) were dealt with that originated from the whistleblower system. The relevant action was taken in the event it was deemed appropriate.



8.7, 16.5

SOCIAL ENGAGEMENT

Local communities

Trelleborg supports local communities through various community activities. All workplaces with more than 50 employees must have a plan for their social engagement.

In 2022, 100 percent of workplaces globally with more than 50 employees engaged in community activities with ongoing involvement (100). Special programs promoting the development of children and young people comprise a central focus for the local commitment. In connection with sports sponsorship – another focus area – youth and community development activities are prioritized. A third focus area is voluntary employee initiatives in social or environmental projects.

100%
TARGET: 100%

In addition to the facilities with more than 50 employees, activities aligned with Trelleborg’s focus on social engagement are conducted at the majority of the Group’s units.



4.7, 4.A

Record year for Trelleborg

The performance of Trelleborg was very strong during the year despite the challenges of increased costs for raw materials, freight and energy. The favorable results show that the decentralized organization is functioning.

How would you summarize 2022?

For Trelleborg, 2022 was another successful year. We delivered both record-high operating profit and earnings per share. The earnings are especially impressive in light of the challenges we encountered: increased costs for materials, transportation, and energy as well as personnel shortages in certain regions. The increase in sales during the year resulted in a greater working capital requirement.

The Group displayed a high level of agility in managing both opportunities and challenges that arose in our geographic markets. This in turn put demands not only on flexible production, but also on proactive pricing to meet the cost increases we saw during the year. All this is to ensure that the operation delivers profitability that is on par with or higher than the Group's financial targets. Being able to handle challenges of various types is crucial for driving growth and ensuring profitability.

Why do you divide the Group between continuing operations and discontinuing operations? Both are parts of the Group.

Dividing the Group into continuing operations and discontinuing operations is a requirement under the International Financial Reporting Standards (IFRS). When, as a company, we sign agreements on selling an operation, we have to report it as discontinuing operations until the buyer actually takes over the operation.

Will you continue to repurchase shares?

Trelleborg's financial position is very strong. Despite acquiring businesses with aggregate sales of SEK 2.7 billion for SEK 11.2 billion in 2022, we will be essentially debt-free after the divestment of our printing blanket operation and tire operation.

We believe that in the coming years there will be continued scope for business acquisitions, repurchase of shares, investments in operations, and dividends that combined will promote increased shareholder value. We estimate this aggregate scope to be more than SEK 20 billion.

So, the ambition remains to buy back approximately SEK 3–4 billion of our own shares per year, subject to approval by future annual general meetings. Our intent is, as previously, to cancel treasury shares.

Could the redemption of shares also become relevant?

We are actively engaged in ensuring that the Trelleborg Group has an optimal capital structure. The ambition is to continue to grow organically by investing in the operation and through business acquisitions. If it turns out that our robust efforts and continued repurchasing of shares is not enough to achieve an optimal capital structure, we will evaluate other alternatives. However, at present there are no proposals for either a one-off dividend or the redemption of shares.

Why does Trelleborg report such low figures according to the EU Taxonomy?

It is important to understand that the EU Taxonomy – which is intended to make investments in society more sustainable – currently primarily addresses operations in society with the highest carbon emissions levels – iron and steel production, for example, as well as certain operations in society that facilitate a sustainable transition of other operations, such as training companies.

For Trelleborg, this means that up until now, we have only been marginally affected by the Taxonomy and are therefore outside of its focus. What we do have that indeed is Taxonomy eligible has to do with green investments.

Can you give examples of green investments?

The green bond we issued in the second half of 2021, is financing projects that continue to support and develop Trelleborg's ongoing and future energy efficiency initiatives in production and administration.

We will present investments made under the framework for the green bond in a separate report, which will be published in March 2023. These investments include, for example, green buildings in Germany, electric vehicles with associated infrastructure, and solar panels.

Which performance measures do you monitor on a near-daily basis? Why?

The performance measures I monitor daily are largely the same as the Group's financial targets: sales growth, with a particular focus on organic growth; operating profit and operating margin to ensure our profitability and return on capital employed. Additionally, I have focused on cash flow and the cash conversion ratio, which are key to continuing our journey of growth.



“Being able to handle challenges of various types is crucial for driving growth and ensuring profitability.”

FREDRIK NILSSON
CHIEF FINANCIAL OFFICER (CFO)

KEY FIGURES, CONTINUING OPERATIONS, SEK M

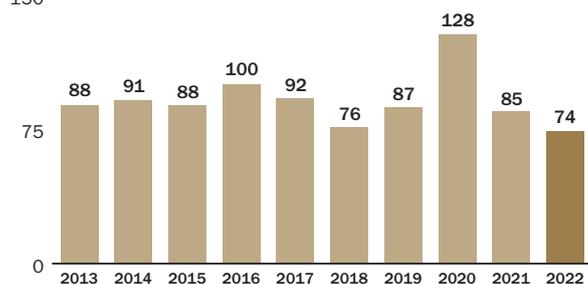
	2022	2021	2020	2019	2018
Net sales	30,095	23,789	21,494	23,945	21,625
Organic sales, %	14	15	-10	2	5
Structural changes, %	3	1	2	4	1
Exchange rate effects, %	10	-5	-2	5	3
EBIT, excluding items affecting comparability	5,066	3,903	3,006	3,690	3,338
EBIT margin, %	16.8	16.4	14.0	15.4	15.4
Items affecting comparability	-241	-83	-260	-1,018	-73
EBIT	4,825	3,820	2,746	2,672	3,265
Profit before tax	4,596	3,680	2,553	2,427	3,097
Net profit, discontinuing operations	1,828	1,007	842	-1,832	895
Net profit, Group	5,257	3,716	2,711	-199	3,190
Earnings per share for continuing operations, SEK ¹	13.01	10.00	6.90	6.02	8.46
Earnings per share for continuing operations, SEK ²	13.80	10.26	7.36	9.40	8.72
Earnings per share, Group, SEK ¹	19.94	13.72	10.00	-0.73	11.77
Operating cash flow	3,732	3,298	3,855	3,206	2,523
Cash conversion ratio, %	74	85	128	87	76
Return on capital employed, %	15.9	15.1	11.2	13.5	15.1

¹ Including items affecting comparability.

² Excluding items affecting comparability.

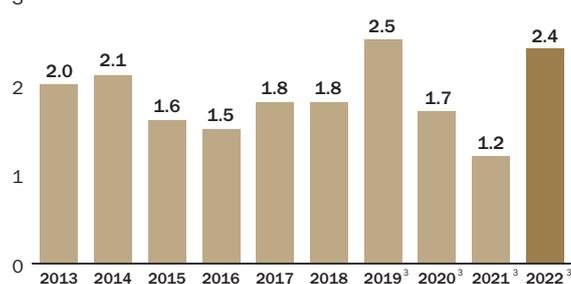
CASH CONVERSION RATIO

Cash conversion, %
150



NET DEBT IN RELATION TO EBITDA

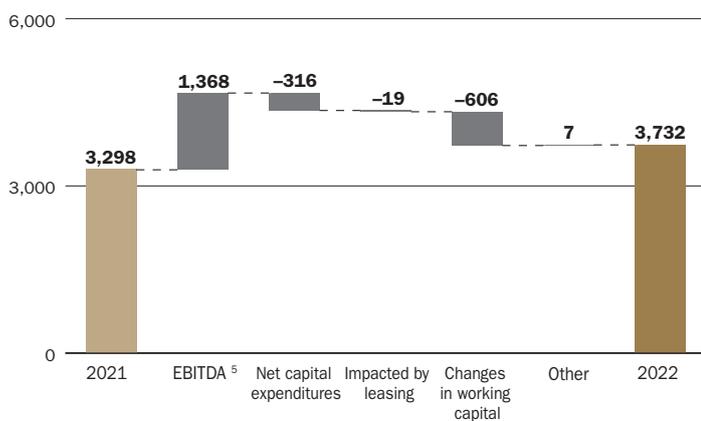
Times
3



³ The Group's net debt including lease and pension liabilities.

OPERATING CASH FLOW, CHANGE BETWEEN 2021 AND 2022⁴

SEK M



⁴ Excluding items affecting comparability.

⁵ Including other non-cash items and excluding impact from leases.

LONG-TERM FINANCIAL GUIDANCE

- » Dividend: 30–50 percent of net profit
- » Capital expenditures: 3.5–4 percent in relation to net sales
- » Restructuring: <1 percent in relation to net sales
- » Cash conversion ratio: >90 percent
- » Net debt/EBITDA: <2x

For complete income statements, balance sheets and cash-flow statements, refer to pages 64–72.

Stock market year for the Trelleborg share

Inflation, market turbulence and war. 2022 was a turbulent year on the stock exchange. Share prices globally fell by approximately 17 percent while the decline for the Stockholm stock exchange was nearly 25 percent. The Trelleborg share increased its value during the year.

Share performance

The price of Trelleborg's Series B share increased just over 1 percent (30) in 2022, while the index of comparable industrial companies, Stockholm Industrials SX50PI, fell nearly 20 percent (+38). Nasdaq Stockholm, in its entirety, declined 25 percent (+35).

Total yield

The Trelleborg share's total yield during the year was 4 percent. This compares with a 22-percent decline for the OMX Stockholm Gross Index GI. The average total yield over the past five years was negatively affected by the pandemic as a result of the decision to not pay a dividend in 2019 and amounts to 9 percent per year. The corresponding figure for OMX Stockholm GI is 12 percent.

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 the 2022 fiscal year, the Board proposes a dividend of SEK 6.00 (5.50) per share, which corresponds to about 30 percent of the net profit for the year.

Share price and turnover

In addition to Nasdaq Stockholm, the Trelleborg share is traded on such marketplaces as Cboe Global Markets and LSE Group. Cboe Global Markets was the largest, with approximately 53 percent (47) of the share trading in 2022.

Total trading in the Trelleborg Series B share in 2022 amounted to 164 million shares (159) at a total value of SEK 36,739 M (33,133), which corresponds to an average daily turnover of 648,089 shares (627,130) or SEK 145 M (131) per trading day.

During 2022, the highest trading price was SEK 263.90 on December 6, and the lowest price was SEK 157.30 on March 7.

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 Foundations, 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 Foundations and its holding in Trelleborg AB, visit www.trelleborg.com and www.dunkerstiftelserna.se.

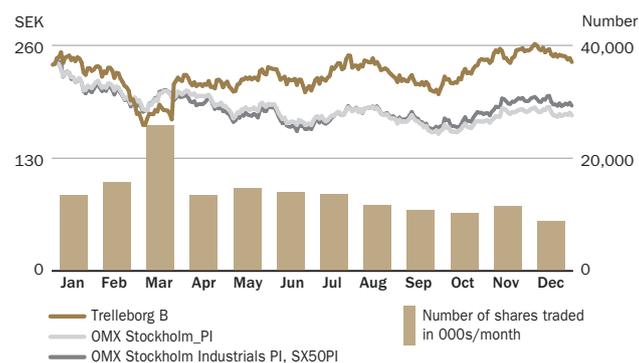
Repurchase of own shares

In accordance with an authorization from the general meeting of shareholders in December 2021, the Group is implementing a share repurchase program. At the end of the year, Trelleborg had repurchased Series B shares corresponding to 5.1 percent of the number of shares outstanding at a value of SEK 3,079 M with proceeds during 2022.

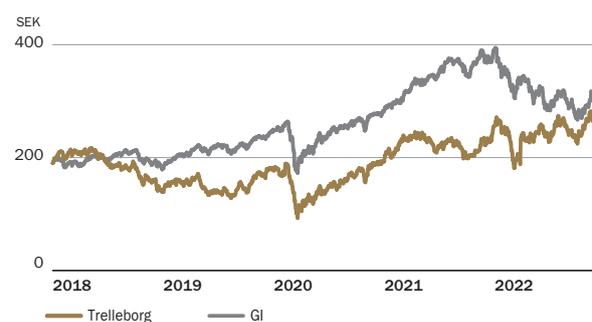
Analysts

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

PRICE TREND AND TRADING VOLUME,
JANUARY 1 - DECEMBER 31, 2022



TOTAL YIELD, TRELLEBORG COMPARED WITH
OMX STOCKHOLM GROSS INDEX (GI)



KEY DATA PER SHARE

SEK	2022	2021	2020	2019	2018
Continuing operations					
Profit/loss	13.01	10.00	6.90	6.02	8.46
Earnings, excluding items affecting comparability	13.80	10.26	7.36	9.40	8.72
Total					
Earnings ¹	19.94	13.72	10.00	-0.73	11.77
Shareholders' equity ¹	145.63	121.70	106.78	106.43	109.81
Dividend ²	6.00	5.50	5.00	- ³	4.75
Dividend as a % of earnings per share	30	40	50	- ³	40
Dividend yield, %	2.5	2.3	2.7	- ³	3.4
Total dividend, SEK M	1,544	1,491	1,355	- ³	1,288
P/E ratio	12	17	18	-231	12

¹ There were no dilutive effects.

² As proposed by the Board of Directors.

³ No dividend was paid in 2020, in accordance with the resolution of the Annual General Meeting.

SERIES B SHARE

SEK	2022	2021	2020	2019	2018
Highest price	263.90	241.40	184.85	174.75	215.10
Lowest price	157.30	181.00	86.68	119.55	134.70
Market price, Dec. 31, last paid price	240.80	237.80	182.50	168.55	139.35
Market capitalization, Dec. 31, SEK M	67,443	64,461	49,471	45,689	37,774
No. of shares, Dec. 31, Series A and B shares	271,071,783 ⁴	271,071,783	271,071,783	271,071,783	271,071,783
No. of shareholders	53,121	53,838	51,061	52,662	48,125

⁴ In 2022, the number of treasury shares held was 13,762,337.

LARGEST SHAREHOLDERS, DECEMBER 31, 2022

Shareholder	TREL A, No. of shares	TREL B, No. of shares	Value, SEK M	% of capital	% of voting rights
Henry Dunker Donation Fund & Foundations	28,500,000	400,000	6,959 ⁵	10.66	54.10
Capital Group		11,771,953	2,835	4.34	2.23
Vanguard		8,593,390	2,069	3.17	1.63
Allianz Global Investors		8,192,312	1,973	3.02	1.55
Lannebo Funds		7,916,087	1,906	2.92	1.50
Handelsbanken Funds		7,558,394	1,820	2.79	1.43
Swedbank Robur Funds		6,503,781	1,566	2.40	1.23
Tweedy, Browne Company LLC		4,842,341	1,166	1.79	0.92
Norges Bank		4,826,518	1,162	1.78	0.91
Folksam		4,592,630	1,106	1.69	0.87
Other		177,374,377	44,881	34.56	66.37
Total	28,500,000	242,571,783	67,443	100	100
- of which shares held by Trelleborg		13,762,337	3,314	5.08	2.61

⁵ TREL A is not traded on any marketplace but is assessed as having the same value as TREL B.

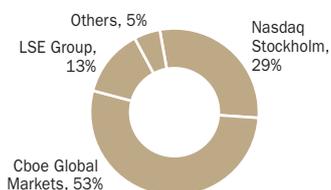
DISTRIBUTION OF SHARES, DECEMBER 31, 2022

No. of shares	No. of shareholders	% of capital	% of voting rights
1-1 000	11,131,534	4.1	2.1
1,001-5,000	13,881,079	5.1	2.6
5,001-20,000	9,212,477	3.4	1.8
20,001-	236,846,693	87.4	93.5
Total	271,071,783	100	100

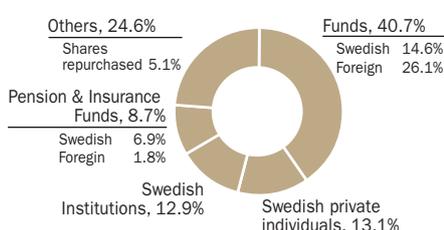
CLASS OF SHARES, NUMBER OF SHARES, CAPITAL AND VOTES

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	100

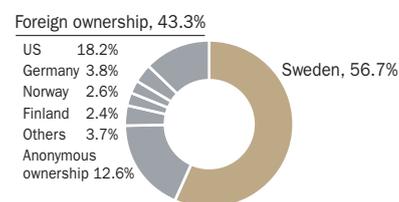
TRADING PLATFORMS, % OF TOTAL TRADING



OWNER TYPES, % OF CAPITAL



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



STRATEGY FOR LEADING POSITIONS



Solutions to Water Infrastructure

Water is the most precious resource we have on earth and effective infrastructure is critical in both developing nations and established ones. The issues may differ, expanding new pipe systems or repairing old, but it is always about protecting every drop. Trelleborg focuses on development of innovative solutions to do this.



The image shows Trelleborg's seals for plastic drinking water pipes. These are combined lip and compression seals that meet standards for both pressure and vacuum, as well as deflection and shear load resistance.

[READ MORE ABOUT: WATER MANAGEMENT](#)

Value generation at Trelleborg

Trelleborg protects the essential in society – people, the environment and infrastructure – now and for the future. The Group is working continuously to create value for all its stakeholders.

Business concept

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

Strategy



The Group’s strategy is to secure leading positions in selected industries and geographies. In these industries, Trelleborg is further positioning itself in attractive niches or product categories with the aim, in each individual case, of being among the three top players in terms of market share.

The Group is distinguished by its material and applications know-how, industry insight in cutting-edge areas, and innovation capability. Trelleborg therefore has a clear advantage when it comes to creating long-term value for shareholders: its focus on niches in industries of the future, a high level of expertise and the entry barriers the niches have for competitors.

Trelleborg’s overarching strategy work is supported by four strategic cornerstones that – individually and in combination – underpin the strategy. The cornerstones are Portfolio optimization, Structural improvements, Geographical balance and Excellence. Read more on pages 20–23.

Industries



The Group serves the following industries:

- » Aerospace
- » Automotive
- » Healthcare & medical
- » General industry

The portfolio is composed so that, as a whole, its market exposure is less cyclical, which improves the Group’s prospects to report consistent earnings even when adverse fluctuations in the industrial cycle of individual industries occur. Trelleborg’s distinctly decentralized organization means business decisions are made as close to the customer as possible, which creates competitive flexibility with substantial market and customer knowledge. See examples of industries and niches on page 19.

Products and services

The core of Trelleborg’s product development is engineered polymer solutions that meet customer-specific requirements for functional properties that seal, damp or protect critical applications. The Group has expertise in materials technology and has in-depth knowledge of customer applications and challenges.

Trelleborg also offers various services supported by digital tools to make life easier and increase value for its customers.

Moreover, there are examples within Trelleborg of businesses where the focus is on services rather than products. This part of the Group has grown and will grow over time and, together with its products, will provide the Group with a stronger position throughout the value chain.

General global trends that impact the Trelleborg Group



Geoeconomic and political changes

- » Growth in Asia demonstrates a shift of power toward the east.
- » Traditional western power structures are changing.
- » Economic growth at risk of being curtailed by political and social challenges.



Resource efficiency for sustainability

- » Population growth and economic growth in certain geographies is making demands on a more efficient yet sustainable society.
- » Negative climate changes and scarce natural resources are major challenges for all stakeholders.
- » Calls for a greater share of renewable energy and lower emission levels stimulates demand for products and processes that result in increased sustainability and a higher degree of circularity.

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.

Corporate culture

Trelleborg has a culture that promotes commitment, responsibility and good ethics in business relationships, as well as a positive interaction with the community wherever the Group conducts operations.

Trelleborg's promise as an employer – *Shaping industry from the inside* – encourages employees to develop in their roles. The Group strives to make employees feel they are part of a company that makes a difference in society and where they can be involved and influence their own development and the company's.

Sustainability

The Group's products and solutions have unique properties that protect the essential. Trelleborg works with solutions that save energy and reduce emissions, eliminate noise and vibrations and extend the service life of end products. This improves the overall sustainability profile of its customers.

Trelleborg is working systematically to increase the share of recycled/recyclable and bio-based raw materials in all products.

In 2023, Trelleborg aims to set an approved Science Based Target for the entire value chain for 2030. Furthermore, the Group is aiming to achieve net zero emissions in its own operations by 2035.

Trelleborg's goal is to be a sustainability leader in its industry. Read more about Trelleborg's sustainability strategy on page 23.

Competitors and peers

Trelleborg's competitors in the various industries and geographies largely comprise smaller companies that are regional specialists in one or more niches or product categories, which means the Group has few comparable competitors. Read more on page 29.

As a comparable investment, Trelleborg's peers are major Swedish industrial companies or foreign companies such as Eaton, Parker Hannifin, Semperit and Hutchinson.

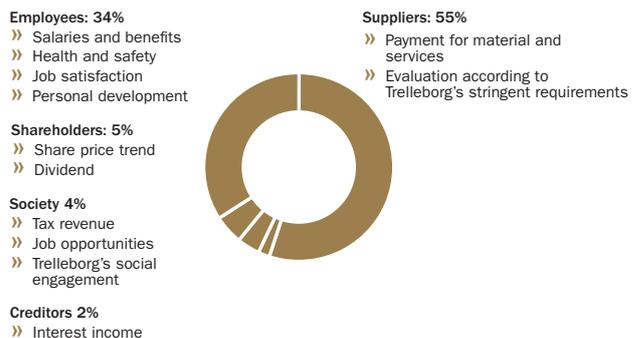
Shareholder value

The Group's strong balance sheet enables value-generating investments in the business as well as bolt-on acquisitions in parallel with prioritizing shareholder value through, for example, dividends and long-term share repurchase programs.

Generated economic value

In total in 2022, Trelleborg's continuing operations generated economic value totaling SEK 30,571 M (24,248). This value includes all forms of revenue, where customers account for the largest portion. The diagram lists the percentage distribution of the generated value per stakeholder group, as well as examples of other values for the stakeholder groups. For absolute values, refer to page 134.

DISTRIBUTED ECONOMIC VALUE 2022



Interconnected markets and urbanization

- » Urbanization entails growing demands for more efficient cities and also a sustainable countryside that can produce more for more people.
- » Globalization is moving markets and people closer together, giving rise to increased global trade and transportation as well as financial flows.



Accelerated technological development

- » New technological and cost-effective solutions are being developed at a very high pace.
- » Resources are being used to find values in big data for increased digitalization of goods and services.

Trelleborg's strategy for leading positions

Trelleborg operates in industries and geographies where the Group, on the basis of global trends, has the best conditions for achieving leading positions and favorable profitability.

Demand for advanced products and solutions

The Group considers the early acquisition of insights into long-term global trends, such as specific industrial and products trends, as a competitive advantage in the long-term partnerships with customers that the Group seeks to establish.

The technological development is today higher than ever, with a focus on quality standards and product safety. At the same time, a transition is taking place in society toward more sustainable energy consumption, climate change adaptation and a more circular use of resources. The technological development and climate transition of the global community favor the Group. Trelleborg is involved in developing the industrial solutions of today through its products and offerings.

At an overall level, demand exists for:

- » Advanced, engineered and integrated solutions
- » Qualified material properties for particularly demanding, critical applications
- » Comprehensive solutions that enable our customers to focus on their core businesses

Furthermore, the rapid technological development requires organizations that encourage intrapreneurship and rapid decisions, in order to be successful and to assume a market-leading position.

Growth target of 5–8 percent

Trelleborg's target is that total sales growth, organic as well as structural, is to amount to 5–8 percent over an economic cycle, of which half is to be organic growth.

The underlying market for the broad industrial sector is expected to grow by 2–4 percent per year. Trelleborg's ambition is to grow in the upper range of this scale. The Group is working in a structured way to achieve this target through investments in existing operations with a particular focus on the industries and niches that have been identified to outperform the industry average in the years ahead (refer to the illustration on page 19).

Trelleborg's material expertise and industry insight combined with its financial strength and broad geographic presence provide a strong competitive advantage. Trelleborg's operational businesses have bespoke strategies for achieving leading positions in their industries and geographies.

Leading positions

One explanation for Trelleborg's success is that its products and solutions are often critical to the functionality of the customers' advanced end products. One good example is sealing solutions in an aircraft's landing gear. While they are critical to the function of the aircraft, the solutions make up a relatively small share of the total cost for the customer's end product – the finished aircraft. Another example is sealing solutions for offshore wind farms. The seals are small components in this context, but they are crucial if these massive structures are to withstand the harsh marine environment.

Another reason for the Group's success is the high entry barriers that exist in industries with rigorous requirements, such as the aerospace, automotive and healthcare & medical industries and also food and beverage production.

Committed to improvement

Trelleborg has always maintained a very strong operational focus with the aim of steadily improving and developing existing and new operations.

Smaller share of automotive industry

Between 2009–2016, the Group's operations targeting the light vehicles industry – which then accounted for more than 30 percent of consolidated net sales – underwent a major strategic change. Operations with total sales of approximately SEK 2.35 billion were divested as well as Trelleborg's shares in a joint venture in automotive antivibration solutions.

The Group continues to operate in selected, profitable automotive niches that account for approximately 16 percent of consolidated net sales.

Larger share of healthcare & medical

Since 2011, Trelleborg's operations in healthcare & medical have expanded considerably. Companies specialized or partly specialized in the area, such as Silcotech (2011), Specialty Silicone Fabricators (2016), Dartex (2018), Sil-Pro (2019), EirMed (2022) and Minnesota Rubber & Plastics (2022), have been acquired and significant investments have been made in the existing operation, which today accounts for approximately 8 percent of consolidated net sales.

Phase out of oil & gas

Between 2019–2021, a strategic review was conducted that led to the divestment of operations in offshore oil & gas, which significantly reduced the Group's exposure to a highly cyclical as well as fossil-based industry.

Industries and niches experiencing strong growth

AEROSPACE	RENEWABLE ENERGY	INDUSTRIAL AUTOMATION	FOOD, BEVERAGE & WATER
AUTOMOTIVE	ELECTRIFICATION & HYDROGEN	LIQUEFIED NATURAL GAS	MODULAR CONSTRUCTION
HEALTHCARE & MEDICAL	WATER INFRASTRUCTURE	AUTOMATED WAREHOUSING	SEMICONDUCTORS

≥5%

A number of industries and niches are growing more than five percent per year and Trelleborg has a particular focus on these in order to participate in their growth journey. The long-term ambition is that the Group's presence in these industries and niches will grow from constituting approximately 40 percent today to at least half of Trelleborg's sales.

Examples of Trelleborg's offering in each industrial segment

AEROSPACE <ul style="list-style-type: none"> » Strengthened offering of critical solutions for aerospace in selected niches 	GENERAL INDUSTRY <ul style="list-style-type: none"> » Broader and improved portfolio of antivibration solutions for railway » Enhanced offering of products and solutions for renewable energy in growing markets » Established comprehensive offering of safe and efficient berthing and mooring of vessels » Building product portfolio for pipe rehabilitation in fast-growing geographic markets » Superior solutions for immersed tunnel seals in an attractive niche 	<ul style="list-style-type: none"> » Focused offering of window and door profiles » Leading system provider of LNG transfer solutions in a growing niche » Market leader in engineered hoses in selected industrial niches » Complete solution provider of industrial seals
AUTOMOTIVE <ul style="list-style-type: none"> » Consolidated position as market and innovation leader in brake shims to the automotive industry » Expanded global offering of automotive boots 		
HEALTHCARE & MEDICAL <ul style="list-style-type: none"> » Focused offering of critical solutions for healthcare & medical for several fast-growing applications 		

More coherent portfolio

The acquisition of the industrial group CGS Holding 2016 meant, among other things, that Trelleborg almost doubled its sales of tires to off-highway vehicles. The operation has since been restructured, expanded its capacity and further strengthened its product offering.

In March 2022, Trelleborg signed an agreement to divest the tire operation to Yokohama Rubber Company at a value of approximately EUR 2.1 billion. It is expected that the divestment will be finalized during the first half of 2023.

After the divestment, Trelleborg will achieve a more coherent portfolio of operations with similar business models and drivers, and with a further improvement in profitability.

EBIT MARGIN

15.0% → 16.8%

2017 2022

ROCE

14.4% → 15.9%

2017 2022

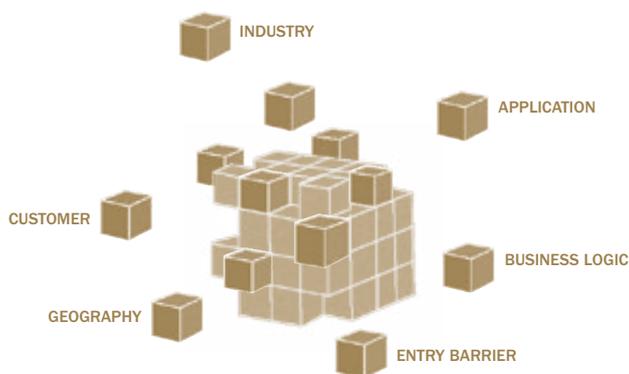


Portfolio optimization

Presence in profitable, growing segments

The Group is pursuing 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 advance its positions in selected niches.

Initiatives can be launched in several dimensions, through investments in operations or bolt-on acquisitions. They may, for example, concern investments in new product innovations and customer partnerships, or the expansion into new closely-related niches, technologies or applications, or to new geographical areas.



Trelleborg makes an overall assessment based on multiple parameters of which industry, niche and geography the Group can best optimize its business portfolio.

Growth through acquisitions

Acquisitions are a core feature of Trelleborg’s strategy and the Group acquires operations in attractive industries and niches where opportunities exist to achieve competitive advantages and reach a leading position faster. The acquisitions are often small bolt-on acquisitions.

Six operations were acquired in 2022. For example, the acquisition of a market leader in pipe lining for drainage pipes allowed Trelleborg to complement its current trenchless pipe repair offerings with new technology and new materials. The market is growing rapidly for trenchless pipe repairs using ultraviolet (UV) light curing technology. The technology is established in Europe and gaining momentum in North America. The acquisition is therefore a strategic contribution that strengthens Trelleborg’s position in the market for various solutions for pipe seals.

Enhanced market exposure

Operations may be divested and these primarily involve activities that are, for various reasons, no longer seen as belonging to the core business or have the necessary development potential sought for by Trelleborg. Changes to the business portfolio also take place to achieve a less cyclical market exposure, which improves the Group’s prospects to report consistent earnings even when adverse cyclical fluctuations arise in individual industries.

Following the divestment of the Group’s tire operation, agreed in 2022, the Group has achieved a more cohesive portfolio of operations with similar business models and drivers. The tire operation is well renowned and successful but it will be developed further and better under new owners. Considering the valuation assigned to the business – EUR 2.1 billion – the Group is of the opinion that a divestment and the opportunities this offers, will generate most value for Trelleborg’s shareholders. The divestment also improves the Group’s profitability and will make Trelleborg less cyclical. Moreover, the sustainability profile of the Group is improved drastically, with a lower CO₂ footprint.

In a similar way, the Group’s exposure to a highly cyclical and fossil-based industry was reduced significantly following the divestment of offshore oil & gas operations in 2021.



Structural improvements

Right place for right operation

Trelleborg’s focus is on developing its operations and localizing them to areas where Trelleborg can grow and recruit the right talent and do the best job. However, it is also about developing offerings that make life easier and increase value for customers, and developing and working within new business models.

For example, Trelleborg resolved in 2022 to upgrade its BioPharma facility and BioPharma Center of Excellence in Massachusetts, US. It is now being expanded to meet the rising demand for silicone tubing and hoses and other integrated solutions produced in cleanroom environments. The expanded facility will be gradually brought into use during the next 24–36 months.

Trelleborg also consolidates operations to achieve better and more cost-efficient production structures. For example, it was announced in 2022 that the production of tunnel seals will be transferred from the Netherlands to the Group’s facility in China. The Netherlands will instead act as a dedicated Sales & Design Engineering Excellence Center for tunnel seals.

Increasing share of service offerings

There are examples within Trelleborg of businesses where the focus is on services rather than products. This part of the Group has grown and will grow over time and, together with its products, will provide the Group with a stronger position throughout the value chain.

Trelleborg offers, for example, SmartPort, a collective term for Trelleborg’s intelligent marine systems solutions. These are 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 also 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.

ACQUISITIONS

Company	Focus	Head office	Trelleborg's position following acquisition	Sales (2021), SEK M	Employees
EirMed	Manufacturer of technical precision components for the medical device market	US	Complements and strengthens the Group's existing offerings in the area of medical devices	100	55
Assets in Parklane Textiles	Sub-supplier of reinforcement materials for engineered fabrics	UK	Secures supply chain for engineered coated fabrics for medical products	- ¹	-
Minnesota Rubber & Plastics	Manufacturer of polymer and thermoplastic components	US	Strengthens current position and product offering in a number of fast-growing industries in North America	2,250	1,400
MG Silikon	Manufacturer of aerospace industry components	Germany	Expands the offering of aerospace seals and for industrial applications	120	100
Assets in Innovative Sewer Technologies	Manufacturer of equipment for trenchless pipe repair	Germany	Complements trenchless pipe repair offerings with new technology and new materials	200	90
Company in Injectoplast ²	Manufacturer of automotive boots	India	Strengthens the globally leading position in automotive boots	70	100
Total				2,740	1,745

¹ Trelleborg accounts for the vast majority of the company's sales and the acquisition thus entails only a marginal increase in sales.

² The transaction is expected to be finalized in the first quarter of 2023.

ANNOUNCED DIVESTMENTS

Operations	Focus	Sales (2022), SEK M	Employees
Agreement to divest printing blanket operation ³	Global manufacturer of printing blankets in polymer-coated fabrics	1,300	620
Agreement to divest tire operation ⁴	Global supplier of tires and complete wheels for off-highway vehicles and specialty applications	13,000	6,600
Total		14,300	7,220

³ The divestment was agreed at the end of 2021 and is expected to be completed in the first quarter of 2023.

⁴ The divestment is expected to be completed in the first half of 2023.

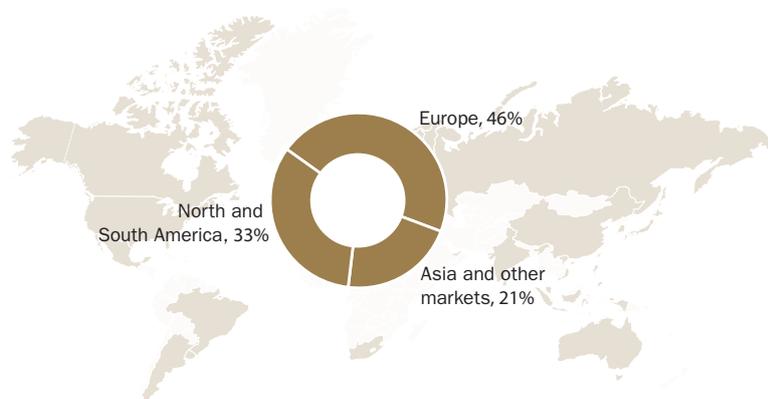
One innovation in 2022 was iCast™ LSR, a fast and flexible digital manufacturing process that is offered to customers in the manufacturing industry who need product development and small-batch production of Liquid Silicone Rubber (LSR) parts. The process is a cost-efficient way to develop product variations and test different design concepts, or to start serial production with small batches. The iCast process takes about three weeks to develop a prototype compared with the traditional process's roughly four months.

Trelleborg's continuing operations are present in 40 countries with 100 manufacturing units and sell to just over 140 countries.

Growth outside of Europe

Trelleborg's presence in Europe has changed over the past decade. From having approximately 60 percent of its sales in Europe, to 46 percent today.

NET SALES PER GEOGRAPHIC MARKET



Trelleborg has growth ambitions in Southeast Asia and has invested to increase capacity in the region.



Geographical balance

Proximity to customers with a complete offering

Trelleborg sees strength in the ability to combine a strongly decentralized and local organization with the competence and financial muscle of the global company. Business decisions are to be made as close to the customer as possible, which creates competitive flexibility and market and customer knowledge. Moreover, the Group will be less affected by economic and currency fluctuations in business cycles, as well as potential trade barriers or pandemics, by having a balanced geographic presence. The extensive local presence means the Group does not have significant export flows.

The number of employees in continuing operations at year-end, including insourced and temporary employees, was 16,701 (14,480). Of the total number of employees, 94 percent (93) work outside Sweden.

During the year, the average number of employees in continuing operations was 14,252 (13,592), of whom women accounted for 31 percent (30). Refer to Note 10, page 81.

Salaries, other benefits and payroll overheads for employees (excluding insourced staff) in the Group's continuing operations amounted to SEK 8,873 M (7,494).

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

Distribution by country	2022	2021
US	3,405	2,539
UK	1,626	1,407
China	1,254	1,052
Germany	1,231	1,016
Sweden	998	1,016
India	993	898
France	922	891
Mexico	783	284
Czech Republic	778	763
Slovenia	629	623
Other	4,082	3,991
Total	16,701	14,480

¹ Including insourced and temporary employees.

Following the acquisition of the US-based Minnesota Rubber & Plastics, Trelleborg became equally strong during the year in North America in sealing solutions as its established position in the area in Europe. The acquired company will gain access to Trelleborg's global sales channels while Trelleborg's broader range of seals will be offered to Minnesota Rubber & Plastics' existing customer base in North America, which will lead to significant potential for increased sales.

Automotive boots, which are used to seal vehicle drive shafts and prevent ingress of contaminants such as salt, water or particles, is one example of a global Trelleborg business with manufacturing on four continents. The presence and sales of automotive boots will be further strengthened in the Indian market when the acquisition that began in 2022 of an India-based operation is completed in early 2023. The acquisition demonstrates that the Group both accompanies its global customers on their journey and acquires companies in a specific geography.

Over the past decade, Trelleborg has noted very healthy growth in Asia and sales in China alone amounted to SEK 2,475 M in 2022. Most of what is produced in China is consumed in the country and the ambition is for continued growth in this major domestic market. The Group's goal is also to increase its presence in parts of Southeast Asia and manufacturing facilities were established in both Japan and Vietnam during the year with production set to start in 2023.

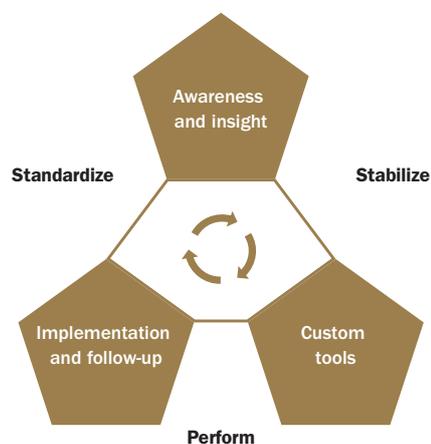
At the same time, Europe remains a very important geographic market and Trelleborg will continue its acquisitions and investments in Europe when these strengthen the Group. In a mature market, such as Europe, Trelleborg's focus is more on developing innovations that create attractive and effective customer offerings and that make the Group into a more attractive partner, rather than identifying new customers.



Excellence

Excellence in core processes

Trelleborg conducts systematic internal work to further improve key processes, such as purchasing, manufacturing and sales. In addition,



focus is on issues concerning the supply chain and leadership development.

This is achieved through training, which creates awareness and insights via Trelleborg Group University, through adapted tools, such as various Lean production principles, which improve efficiency and increase productivity, as well as by monitoring via adapted project tools.

Purchasing Excellence

The Purchasing Excellence program is strongly linked to the purchasing process and organization. Trelleborg works systematically to ensure the Group obtains a competitive price in all of its purchasing of goods or services. Purchasing follows standardized processes and decisions. The Group categorizes its suppliers using the Kraljic matrix, which measures them based on importance and market complexity.

The purchasing process is essentially applied in the same manner regardless of whether it concerns the purchase of rubber, steel, goods or indirect materials, which builds trust among suppliers and internal stakeholders. The Group has lead buyers to coordinate sourcing across Trelleborg for direct material categories which are common between the organization and have significant spend. This primarily concerns standard materials and represents approximately 35 percent of the Group's total expenditure for direct materials, including discontinuing operations. There are also category experts

for engineered materials, whose task is to facilitate knowledge sharing between operational units.

In connection with indirect material purchases, country coordinators are stationed in countries with the highest expenditure for indirect materials and services, which account for about 60 percent of the Group's indirect expenditure, including discontinuing operations. They ensure that joint framework agreements are in place for the relevant categories in each country.

One important element of Purchasing Excellence is supplier assessments and follow-ups with a focus on issues related to human rights, occupational health and safety, environmental management systems and social responsibility. Refer to page 131.

Manufacturing Excellence

Manufacturing Excellence is the oldest of the Group's Excellence programs 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.



The Group's continuous energy optimization – Energy Excellence – has been part of the program from the very start. Energy Excellence aims to reduce Trelleborg's energy consumption of both direct and indirect energy. This is achieved through a systematic approach to identify potential savings and "energy thieves", including training, energy inspections, local energy teams, measuring and analysis. Refer to page 124.

Trelleborg's longstanding occupational health and safety program Safety@Work is also an integrated part of Manufacturing Excellence, and aims to create a shared safety culture and to prevent occupational accidents and injuries at all of the Group's production units. Refer to page 128.

Sales Excellence

The Sales Excellence program aims to contribute to increased sales and growth via an improved sales process and standardized sales tools. The program also focuses on strategic marketing and positioning, digital market communication and pricing.

On the basis of *the Buying Cycle*, the program provides a range of training activities, best practice sharing and tools that can be used on a daily basis in operating units, which also makes it possible to focus on the most attractive and profitable customers.

Supply Chain Excellence

Supply Chain Excellence involves optimizing processes across the supply chain, from suppliers to customers. The goal is to improve the ability to meet customers' needs and ensure customer focus in all areas, while optimizing efficiency and working capital. The program is centered on a joint five-step planning process, based on the Sales & Operations Planning (S&OP) process. The goal of the planning process is to adapt all parts of the organization to a shared plan that is driven by customer demand.

People Excellence

People Excellence supports managers at all levels to further develop their managerial skills, build strong teams and stimulate employees to increase customer value and deliver business results.

The program is based on a self-assessment tool and self-motivated learning, which comprises six individual parts, of which one part focuses on diversity and inclusion. Refer to page 129.

Sustainability strategy

Intensive efforts took place during 2022 to further integrate sustainability into Trelleborg's strategy. A number of milestones were achieved, such as the introduction of more clearly developed sustainability performance, for example in the climate and safety areas, together with accompanying comments as a standing item in the Group's interim reporting (see also page 116).

The overarching strategy as well as Trelleborg's sustainability strategy continue to develop in harmony with the overall direction to protect the essential in society. The Group's task is to provide industrial customers with innovative products and solutions based on in-depth insights into customer needs. Products and solutions have unique properties that seal, damp and protect the customers' critical applications, and help to extend the lifecycle of the end products. Trelleborg's solutions also save energy and reduce emissions, and they eliminate noise and vibrations. Accordingly, this improves the overall sustainability profile of the customers.

Climate

Trelleborg's own operations, including all process activities and the value chain, naturally form the basis for its sustainability strategy. This basis also includes having science-based targets for the climate and the Group intends to achieve net zero emissions for its own operations by 2035. Climate-impacting emissions along the value chain have also been given more space and will be included in Trelleborg's forthcoming climate strategy, which in addition to risk/opportunity analysis and scenario descriptions in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework, also encompasses an ambition to achieve an approved Science Based Target, including targets for Scope 3 emissions, in 2023. Refer to page 24 and pages 118–120 for a more detailed description of Trelleborg and the climate.

Circularity

Historically, the Group's polymer-based solutions were largely fossil-based due to the unique sealing and damping properties of, above all, synthetic rubber or plastics. Even if it remains a technological

challenge to easily recycle synthetic polymers, Trelleborg intends to gradually make the solutions offered clearly more sustainable, primarily by increasing the share of recycled/recyclable or bio-based material in polymer-based products, refer to page 124. Another stage in the circular work will be to address waste, refer to pages 125 and 127. This aims to further strengthen Trelleborg’s role as the sustainability leader in its industry. A waste initiative is already under way in Livorno, Italy, where metal scrap is collected and sold onward. Resource efficiency and a circular approach are becoming an increasingly integrated part of the company’s DNA.

Other prioritized sustainability areas

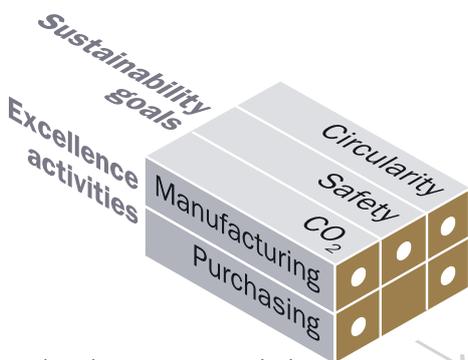
The way Trelleborg looks after its employees and does business are other elements that play an important role in the sustainability strategy, see also pages 128 and 130.

Diversity, inclusion and fair working conditions are embedded in the corporate culture.

Health and safety, business ethics and transparent reporting are areas where Trelleborg has undertaken to maintain a very high standard.

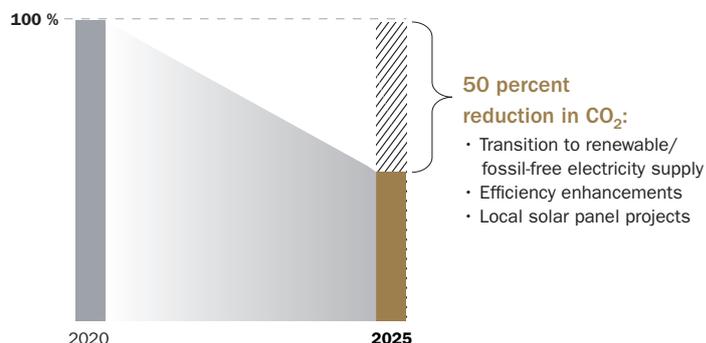
Moreover, the company is firmly committed to working together with, and providing a positive contribution to, local communities wherever it operates.

HOW SUSTAINABILITY TARGETS AND EXCELLENCE INTERACT



The diagram shows how structure, organization and Group activities in the strategic area of Excellence are used to pursue sustainability targets in circularity, safety and climate.

HOW WILL THE 50-PERCENT REDUCTION IN CO₂ EMISSIONS BE ACHIEVED BY 2025?



Governance and implementation of the strategy

For the organization and the practical governance of sustainability work, refer to the description on pages 50–53. Internally, work in recent years to implement the decentralized sustainability strategy has been clearly facilitated by the company’s systematic efforts for more than a decade with resource efficiency within the framework of Trelleborg’s Excellence programs, where the cornerstones are Manufacturing Excellence and Purchasing Excellence.

When new goals are adopted in strategic sustainability areas, such as climate, safety and circularity, the local organization and know-how within the established Excellence framework have helped to create awareness, actions and activities at each workplace throughout the organization and in production units, and to swiftly follow up and communicate the results. Trelleborg’s work with Excellence clearly goes hand in hand with its sustainability agenda.

Current climate targets and forthcoming Science Based Target

In 2022 and early in 2023, Trelleborg continued its targeted efforts to substantially reduce its carbon emissions. Some of the most important reference points in this work during the year included:

- » Agreement on the sale of Trelleborg Wheel Systems – by far the most carbon-intensive part of the Group (refer to page 21).

IMPROVEMENT FOR TRELLEBORG IN SUSTAINABILITY RANKING AND IN CDP’S CLIMATE REPORT



Trelleborg advances in 2022 sustainability ranking. Trelleborg retained second place its “Durable consumer goods” category in the annual Swedish sustainability ranking “Hållbara Bolag 2022”. The ranking is arranged by the business daily Dagens Industri and the Aktuell Hållbarhet magazine. In the overall ranking of all Swedish listed companies, Trelleborg advanced to a shared third place. The ranking is carried out by the Lund University School of Economics together with an advisory committee.



CDP’s climate, water and supplier engagement reports. Trelleborg has participated in non-profit global organization CDP’s voluntary reporting of greenhouse gas emissions since 2007. In the Annual CDP Report for 2022 on climate issues, Trelleborg received a score of A– where A corresponds to the highest level, a year-on-year improvement (2021: B). Water issues are also reported for the fifth time, and here Trelleborg received a score of B– (2021: B–), where B corresponds to the second highest level.



The Task Force on Climate-related Financial Disclosures (TCFD) is a specific call for climate action from the financial markets. Its recommendations describe how companies should handle their climate-related information, including the analysis of risks and opportunities. See pages 118–120 for an overview of how Trelleborg meets the TCFD guidelines. The information will be further developed each year.

- » The continuous rapid transition to a fossil-free electricity supply for global operations (refer to page 124).
- » Another possible partial solution moving forward includes Power Purchase Agreements (PPAs) for renewable electricity supply to Trelleborg's facilities.
- » One important part of the solution is continued energy optimization within the framework of the Energy Excellence program.
- » Additional local solar panel projects are ongoing for supplying part of the energy needs of the facilities in question.
- » A mapping of Trelleborg's Scope 3 emissions along the value chain that was completed in 2022 (refer to the text and illustration below).
- » An intensified mapping of solutions and investment requirements to adapt Trelleborg's natural gas dependence in Scope 1.

The existing "50 by 25" climate target, which was established in 2020, means the Group intends to reduce its CO₂ emissions (Scope 1 and 2) by at least 50 percent relative to sales by the end of 2025, with 2020 as the base year. During the five-year period between 2021 and 2025, this means emissions must decrease by an average of 10 percentage points per year.

This was also the case during the first year in 2021, and during the second year of the period, 2022. The actual result for the 2021–2022 period was a reduction by 35 percent, which means thus far the Group has achieved significant emission reductions, due primarily to the ongoing transition to renewable/fossil-free electricity, whereby its current share of total electricity consumption is 28.8 percent. Calculated for all continuing operations, that is to say excluding the tire operation, which is expected to be divested in the first half of 2023, the outcome was as high as 46.6 percent renewable/fossil-free electricity at the end of 2022. Even if the

Group's ambitious "50 by 25" climate target through 2025 is therefore expected to be met much earlier than forecast, the next phase of climate improvement work will begin concurrently for Trelleborg.

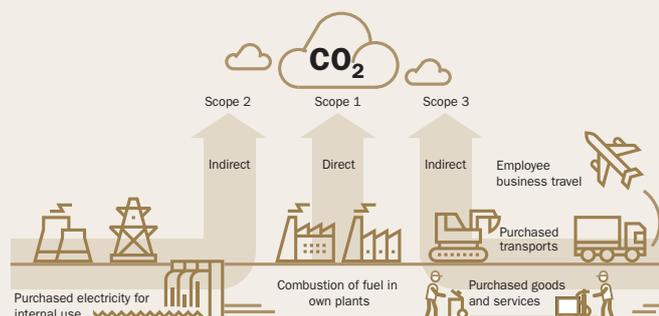
The forthcoming divestment of Trelleborg Wheel Systems in 2023 will, at a stroke, drastically reduce the Group's climate footprint in Scope 1 and 2. Taking into account this instantaneous emission reduction, and that Trelleborg has since 2022 a verified picture of the size of the Scope 3 emissions of the operations along the value chain (see box below), the Group has resolved to prepare a new climate target as early as possible in 2023. Trelleborg's new target, which extends until 2030, will be based on the size of the Group early in 2023 and use emissions in 2021 as the base year, in both cases excluding the tire business.

In 2023, the intention is to submit an application for the approval of this new climate target for the period until 2030 with the Science Based Target initiative (SBTi) – thereby fulfilling Trelleborg's earlier commitment from April 2021. More than 4,000 companies worldwide (2022) have joined the SBT initiative to obtain approval for their climate targets. Such an approved climate target means it is adapted to the scenarios to limit temperature increases on Earth below 2°C, and preferably below 1.5°C. Read more about risks and opportunities for Trelleborg in connection with such scenarios on page 119.

Vision of net zero emissions

The starting point remains that Trelleborg intends to reduce emissions from its own operations (Scope 1 and 2) to net zero by 2035.

TRELLEBORG'S EMISSIONS ALONG THE VALUE CHAIN ARE LARGELY RELATED TO PURCHASING



When describing the total carbon footprint for Trelleborg it is not enough to include direct emissions from manufacturing operations and offices (Scope 1) as well as indirect emissions from purchased energy (Scope 2).

Emissions along the entire value chain (Scope 3) related to Trelleborg's activities must also be included. In 2022, Trelleborg completed mapping its Scope 3 emissions together with KPMG. These external emissions must, for example, be included in the scenario when Trelleborg establishes its Science Based Target in 2023 for its continued climate work.

The new analysis was verified and reviewed by Schneider Electric, and shows: Trelleborg's total Scope 3 emissions are estimated at approximately 2.5 million metric tons CO₂ per year for the Group in 2022. For continuing operations, the corresponding figure is approximately 1.5 million metric tons, of which the largest category Purchased goods and services accounted for more than 80 percent of emissions. The second largest category, Upstream transportation and distribution, accounted for approximately 10 percent. The calculations are primarily based on purchasing figures and general emission factors for different purchasing categories.

Scope 3 emissions are, therefore, at least five to six times higher than the existing emissions in Scope 1+2 and are thus significant in terms of the total emission picture for the company.

As of the 2023 reporting year, Trelleborg will publish figures relating to the operation's Scope 3 emissions in the Annual and Sustainability Report.

For some years, Trelleborg has established channels for dialog on emission reductions with selected suppliers of polymers and transport services on annual questionnaires through the CDP Supply Chain.

OPERATIONAL BUSINESSES





Solutions to LNG transfers

Liquefied Natural Gas (LNG) is a vital part of energy transition as the world moves from the use of oil and coal toward renewables. Trelleborg focuses on how to make the transfer of LNG as safe, flexible and effective as possible to help ensure certainty of fuel supplies and provide energy to remote locations.



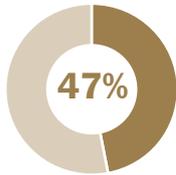
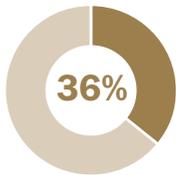
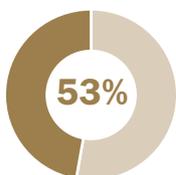
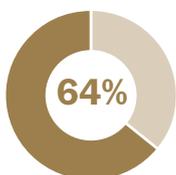
The image shows Trelleborg's pneumatic fenders, an engineered product that forms a vital link in the ship-to-ship (STS) transfer industry. The production of the entire fender is inside a purpose-built mold without using any pre-vulcanized components. This molding process gives them an ISO compliance with specific absorption and reaction forces.

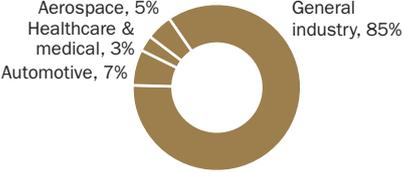
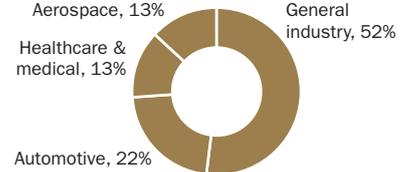
READ MORE ABOUT: LIQUID NATURAL GAS

Trelleborg Group in brief

Trelleborg's operational businesses are organized into two business areas. Their respective strategies to secure leading positions in selected industries are tailored because they differ in structures and businesses – and because they operate in different industrial niches.

The common denominator is the engineered polymer solutions that seal, damp and protect critical applications in demanding environments, as well as a distinctly decentralized organization built on local responsibility and personal dedication, which form the basis of the Group's model for profitability and business success.

CONTINUING OPERATIONS	Net sales, share, %	EBIT, share, %	EBIT margin, %
<p>TRELLEBORG INDUSTRIAL SOLUTIONS</p> <p>focusing on selected polymer-based industrial applications and infrastructure projects.</p>	 <p>47%</p>	 <p>36%</p>	<p>13.8%</p>
<p>TRELLEBORG SEALING SOLUTIONS</p> <p>focusing on polymer-based sealing solutions and components.</p>	 <p>53%</p>	 <p>64%</p>	<p>22.3%</p>

Net sales per industry, %	Market position	Brands/product names	Principal competitors
 <p>Aerospace, 5% Healthcare & medical, 3% Automotive, 7% General industry, 85%</p>	<ul style="list-style-type: none"> » Globally leading positions in engineered coated fabrics, construction profiles, automotive boots, LNG transfer systems, port infrastructure and marine technology solutions » Leading positions in Europe in industrial hoses, pipe seals and antivibration components for rolling stock and industrial applications 	<p>AutoMoor, Cryoline®, Citerdial, Dartex, Fairprene®, FluoroSeal®, Flexxcurve, Gall Thomson, Gutteling, HALL, Klaw, Kledam®, Metalastik®, Novibra®, Omega, Power-Lock™, Pulsor, SCN Super Cone Fenders, SeaGuard, Sealine®, Sewer-Lock™, SafePilot®, SmartPort, Trellvac and Trilobe</p>	<p>Cathay Consolidated, Contitech, Gummi-Metall-Technik, Hamilton Kent, Hultec, Hutchinson, IVG Colbachini, Keeper, MannTek, Parker Lord, Pennel & Flipo, Roxtec, Sanok, Semperit, ShibataFender-Team, Tremco and Yokohama</p>
 <p>Aerospace, 13% Healthcare & medical, 13% Automotive, 22% General industry, 52%</p>	<ul style="list-style-type: none"> » Globally leading positions in critical aerospace seals and components as well as automotive noise damping solutions » Market-leading positions in selected niches in automotive seals » Global top three position in sealing solutions for industrial applications and for the food, beverage & water industry » Emerging global top three position for components and seals in selected niches in healthcare & medical 	<p>American Variseal® , Automated Dynamics, Busak+Shamban, Forsheda®, GNL, Minnesota Rubber & Plastics / Quadion LLC, Nordex, Orkot®, Palmer Chenard, Polypac®, Quad®, Quad-Ring®, Rubore®, SF Medical, Shamban®, Sil-Pro, Skega®, Stefa® and Wills Rings®</p>	<p>Federal Mogul, Fenner, Freudenberg, Greene Tweed, Hutchinson, Kirkhill-TA, Lubrizol/Vesta, Meggitt, NOK, Nolato, Parker Hannifin, Raumedic, Saint Gobain, SKF, Starlim and Wolverine</p>

TRELLEBORG INDUSTRIAL SOLUTIONS

Climbing the value ladder

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

Describe your business area.

The business area continues to perform strongly and grow across all dimensions. We hold leading positions in selected niches including general industry, construction, shipping, energy and transportation. Our solutions make the world safer, quieter, more efficient, and increasingly more sustainable.

The portfolio we offer continues to strengthen. During 2022, through acquisition we added additional capabilities in composite heat resistant fabrics to broaden our offering in aerospace, as well as specialist robotics and curing equipment for pipe repair. This reinforces our leading positions in both Europe and North America. We enhanced our position as global leader for automotive boots through an acquisition in India. When finalized this will supplement our own production set up and allow us to serve customers nationwide.

Customer proximity is a key element, and we continue to develop local capabilities in production as well as R&D and engineering to support our customers around the world.

What are your plans moving forward?

We are well placed to continue our journey of profitable growth targeting selected niches in fast growing industries with a value-added offering. For example, in healthcare & medical our support surface fabrics are fully recyclable and help prevent both pressure ulcers and patient falls. For aerospace, we are proud suppliers of lightweight evacuation slides in polyurethane and sealing profiles for interior fittings. Solutions for water infrastructure is another area we continue to invest in. Much of the world's existing pipe network has exceeded its design life, with up to 50 percent of water lost through leakage. Here, we have recently launched the world's first fully sustainable inner liner for pipe repair manufactured from recycled plastic.

Any particular geographic initiatives?

We are expanding geographically from our strong base in Europe. Our ambition is to grow by 25 percent in Asia over the next three years,

for example, through our tunnel seals, solutions for handling and transporting Liquefied Natural Gas (LNG), as well as products for trains and railway tracks. A new manufacturing facility for automotive boots will begin operation in Japan during the first half of 2023. Around the same time, the capacity expansion for manufacturing antivibration solutions in China for train and off-highway vehicles, and cable protection, will reach completion.

During the same period, we wish to grow by 20 percent in North America, where the markets for healthcare & medical, marine projects, water management and the construction of residential properties are growing rapidly.

How is value generated for customers?

We aim to be the customer's first choice in many dimensions. We primarily create value for our customers by having leading-edge products and solutions and through our profound understanding of their applications and the environments when deployed. We enjoy a global presence ensuring customer proximity, which in turn enables us to offer better and quicker support.

How were sales and earnings in 2022?

Organic sales increased 18 percent year-on-year. The sales trend was strong in all major geographic regions. All market segments reported double-digit organic sales growth. The order book remained strong at the end of the year, although with a slightly lower order intake during the fourth quarter.

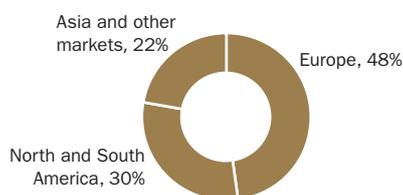
EBIT and the EBIT margin increased year-on-year, and both sales and EBIT reached their highest level to date. Effective cost control and active price adjustments for customers offset increasing costs during the year. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 82 M on EBIT compared with the preceding year.



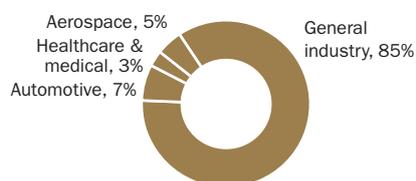
“We are expanding geographically from our strong base in Europe. Our ambition is to grow by 25 percent in Asia over the next three years.”

JEAN-PAUL MINDERMANN
BUSINESS AREA PRESIDENT TRELLEBORG INDUSTRIAL SOLUTIONS

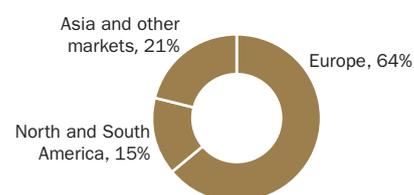
NET SALES PER GEOGRAPHIC MARKET, %



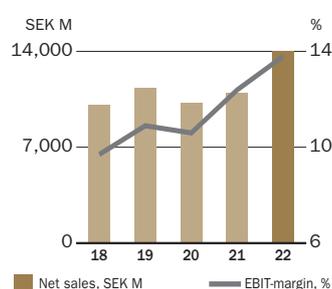
NET SALES PER INDUSTRY, %



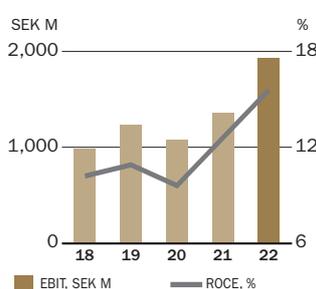
EMPLOYEES PER GEOGRAPHIC MARKET, %



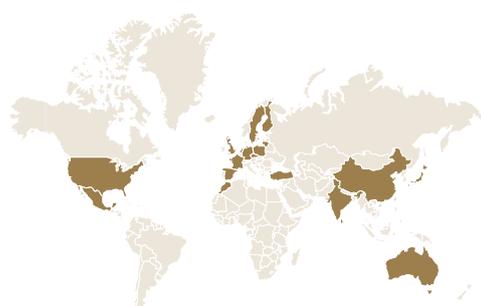
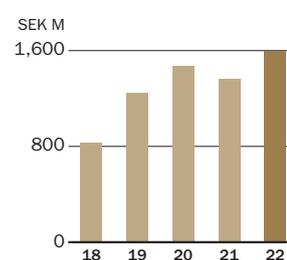
NET SALES AND EBIT MARGIN



EBIT AND ROCE



OPERATING CASH FLOW



Countries with production units 2022.

KEY FIGURES, EXCLUDING ITEMS AFFECTING COMPARABILITY, SEK M	2022	2021
Net sales	13,998	10,953
Organic sales, %	18	10
Structural change, %	2	1
Exchange rate changes, %	8	-4
Share of continuing operations' net sales, %	47	47
EBIT	1,928	1,360
EBIT margin, %	13.8	12.4
Capital employed	12,857	11,062
Return on capital employed (ROCE), %	15.6	12.6
Capital expenditures	387	366
Operating cash flow	1,594	1,366
Cash conversion ratio, %	83	100
Number of employees at year-end, including insourced staff and temporary employees	6,126	6,078

STRATEGIC PRIORITIES

- » Strengthen and develop leading positions in selected industrial niches and geographies with a particular focus on industries experiencing strong growth
- » Optimize the production structure and product portfolio, including through selected bolt-on acquisitions
- » Focus on continued positive margin development
- » Continue to develop value-generating products and solutions that improve customer safety and sustainability by design

TRELLEBORG SEALING SOLUTIONS

Scale up and accelerate

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

Describe your business area.

I would claim we are the most successful business partner in our selected industries. Our success is due to our scalable and flexible business model, a strong product portfolio and, not least, that we are a global development partner for our customers. Customers meet us locally, but behind those local contacts is a whole global team of product developers, manufacturing facilities, logistics centers and subcontractors. We match our customers' growing need to more rapidly launch their products in the market with sophisticated processes, offerings and dedicated rapid development centers.

What are your plans moving forward?

We are optimistic about the future. For example, industrial automation is expected to grow organically by about 20 percent over the next few years. We are already in a good position here through our engineered seals for robots and automated warehouse systems.

Through the acquisition of MG Silikon, we have increased the production capacity of airframe seals and strengthen our offering in sealing solutions for cabin interiors, which is a strategic growth area for us.

We are aiming to be a business partner to the leading 75 global healthcare & medical companies. The acquisition of EirMed is one important element in building a larger and more comprehensive offering. It specialized in technical precision plastic injection-molded components, which are mainly applied in medical devices, such as those used for in-vitro diagnostics, minimally invasive surgery, and orthopedics. We truly help pharmaceutical and medical device companies improve patient quality of life.

Tell us about this year's major acquisition.

A game changer for us was the acquisition of Minnesota Rubber & Plastics, which is active in several fast-growing industries such as medical equipment, water management and food & beverage, as well as in several industrial applications. The company was a leading

manufacturer of polymer and thermoplastic components and a system provider for technically demanding applications. As a result of the acquisition, we became as strong in North America as our already established position in Europe. Synergies are expected to amount to EUR 25 M over only three years. We will be the strongest and most comprehensive solutions supplier in our industry.

Any particular geographic initiatives?

In response to regional developments in Asia-Pacific, we are expanding through new manufacturing facilities and the build-out of capacity in India, Vietnam and China. In the region, there are growth opportunities for our seals for machinery that manufacture semiconductors. Entry barriers to the area are high but with our expertise, we are well placed to not only retain our strong position, but also expand the semiconductor business.

How were sales and earnings in 2022?

Organic sales increased 10 percent year on year. Acquisitions contributed a 5-percent increase in sales. Sales to all geographic regions were positive. North America performed the most favorably, while sales in Asia were limited by Covid restrictions in China for most of the year as well as a virulent outbreak of the virus at the end of the year when restrictions were eased. Sales to all industries performed positively, where deliveries to the aerospace industry and healthcare & medical stood out with highly robust growth.

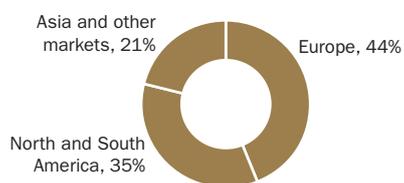
EBIT increased as the result of volume growth, price adjustments in relation to customers and completed acquisitions. The EBIT margin declined, due primarily to completed acquisitions. The effect of rising purchasing prices for energy and input goods, as well as general inflation, was balanced out by price adjustments for customers and efficiency improvements. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 221 M compared to the preceding year.



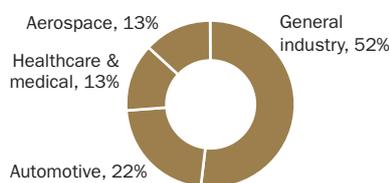
“ In response to regional developments in Asia-Pacific, we are expanding through new manufacturing facilities and the build-out of capacity in India, Vietnam and China.”

PETER HAHN
BUSINESS AREA PRESIDENT TRELLEBORG SEALING SOLUTIONS

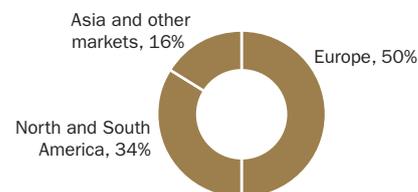
NET SALES PER GEOGRAPHIC MARKET, %



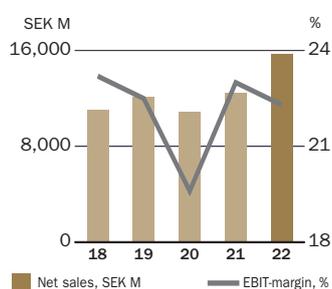
NET SALES PER INDUSTRY, %



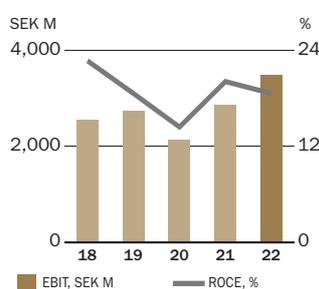
EMPLOYEES PER GEOGRAPHIC MARKET, %



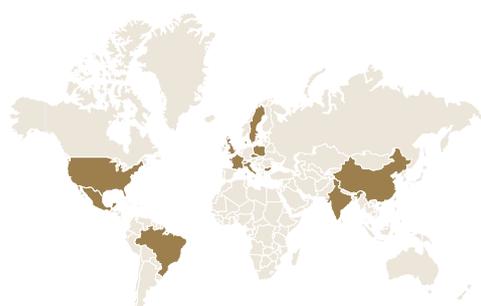
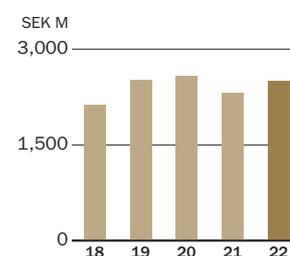
NET SALES AND EBIT MARGIN



EBIT AND ROCE



OPERATING CASH FLOW



Countries with production units 2022.

KEY FIGURES, EXCLUDING ITEMS AFFECTING COMPARABILITY, SEK M	2022	2021
Net sales	15,662	12,480
Organic sales, %	10	19
Structural change, %	5	0
Exchange rate changes, %	10	-4
Share of continuing operations' net sales, %	53	53
EBIT	3,491	2,865
EBIT margin, %	22.3	23.0
Capital employed	28,140	15,102
Return on capital employed (ROCE), %	18.6	20.1
Capital expenditures	869	637
Operating cash flow	2,498	2,319
Cash conversion ratio, %	72	81
Number of employees at year-end, including insourced staff and temporary employees	9,495	7,263

STRATEGIC PRIORITIES

- » Leverage the scalable business model's strengths in more areas
- » Accelerate growth in attractive industries and niches
- » Acquire companies that offer major synergies
- » Continue globalization of operations with a focus on Asia
- » Continue to deliver strong earnings

Discontinuing operations

The Group's tire and printing blanket operations were reported in 2022 as discontinuing operations – assets held for sale.

TRELLEBORG WHEEL SYSTEMS

The Group signed an agreement in March 2022 to divest the Trelleborg Wheel Systems business area to Yokohama Rubber Company for EUR 2,100 M on a cash and debt-free basis.

The divestment is expected to be finalized during the first half of 2023.

Sales and earnings 2022

Organic sales increased 20 percent year on year. Sales increased in all major regions, particularly North and South America. The organic sales trend in tires for agricultural machinery, material handling vehicles and off-highway vehicles was positive in all cases.

EBIT and the EBIT margin improved, primarily as a result of price adjustments and increased sales to OE manufacturers. This offset increased raw materials and energy costs. The positive trend was particularly noticeable in North and South America. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 11 M on EBIT compared with the preceding year.

Tires – part of Trelleborg's history

Tires for bicycles and light vehicles formed part of Trelleborg Gummi-fabriks AB early product range when the company was established in 1905. This production was phased out in the mid 1970s and agricultural tires became the larger product category, together with tires for material handling vehicles and other off-highway vehicles.

The tire operation grew both organically and structurally. A broader range of products was obtained through acquisitions that included Pirelli's agriculture division, Maine Industrial Tires and CGS Tyres. From the strong base in Europe, operations have expanded into North and South America, Asia and the Asia-Pacific region. Alongside of this, the concept of aftermarket tire services for material handling vehicles and agricultural machinery has expanded.

The operation has been under continuous development and has marketed innovative tires to the latest generation of ever more powerful off-highway vehicles and machinery. A significant development has also taken place with the use of new technology, such as integrated and autonomous tire inflation systems. Sustainability and circularity form part of the operation's business concept. Agricultural tires are designed to protect crop yield and save fuel, and recycled materials are added during the production of industrial tires.

Exciting opportunities looking ahead

Continued major investments are required if the tire operation is to develop further and continue to compete with the major tire manufacturers in the market. Such investments would, to some extent, limit the Group from making other necessary investments for continued growth.

Given the attractive valuation of the tire operation, the Group will instead gain financial muscle to invest in Trelleborg's remaining operations, which are more focused with similar business models and drivers, and create shareholder value through opportunities for continued dividends and share repurchases.

TRELLEBORG PRINTING SOLUTIONS

In November 2021, Trelleborg signed an agreement to divest its printing blanket operation, Trelleborg Printing Solutions, to Continental. The divestment is expected to be finalized during the first quarter of 2023.

Part of a strategic review

Following the divestment of the printing blanket operation, the strategic review from 2019 was formally concluded. The review did not include the Group's tire operation.

Operations with sales totaling just over SEK 3,200 M have been divested and the Group can focus fully on its high-performing and well-positioned business areas that have significant global businesses.

Divested operations from the strategic review

- » Local operation in France in rubber-covered rollers and rubber belts (2020)
- » Molded components operations in Sweden and Estonia (2020)
- » Czech operation in technical rubber products (2021)
- » Norwegian and UK offshore oil & gas operation (2021)
- » Printing blanket operation (2023)

DISCONTINUING OPERATIONS

Key figures, excluding items affecting comparability, SEK M	2022	2021
Net sales	14,615	11,961
Organic sales, %	18	17
Structural change, %	-6	-7
Exchange rate changes, %	10	-6
EBIT ¹	2,435	1,401
EBIT margin, %	16.7	11.7
Capital employed ²	17,942	15,712
Return on capital employed (ROCE), %	14.2	9.0
Capital expenditures	477	424
Operating cash flow	1,471	1,271
Cash conversion ratio, %	60	91
Number of employees at year-end, including insourced staff and temporary employees	7,233	7,361

¹ EBIT was positively impacted by SEK 490 M in 2022 as depreciation of assets held for sale was discontinued according to IFRS 5, largely attributable to Trelleborg Wheel Systems.

² Capital employed includes the effect of SEK 518 M from depreciation of assets held for sale being discontinued according to IFRS 5.

OF WHICH TRELLEBORG WHEEL SYSTEMS

Key figures, excluding items affecting comparability, SEK M	2022	2021
Net sales	13,277	10,076
Organic sales, %	20	19
Structural change, %	-	-
Exchange rate changes, %	12	-4
EBIT	1,768	1,214
EBIT margin, %	13.3	12.0
Capital employed	15,965	14,374
Return on capital employed (ROCE), %	11.4	8.7
Capital expenditures	442	354
Operating cash flow	1,408	1,049
Cash conversion ratio, %	80	86
Number of employees at year-end, including insourced staff and temporary employees	6,621	6,750

GOVERNANCE AND RESPONSIBILITIES





Solutions to Healthcare & Medical

For more than 10 years, Trelleborg has continuously developed its manufacturing and material expertise within healthcare & medical. Today, Trelleborg products and solutions range from coated fabrics for medical support surfaces to components in medical equipment and devices, and drug elution. Trelleborg interacts with its customers through design, prototyping and manufacturing stages of product development. All to help pharmaceutical and medical technology companies improve patients' quality of life.



The image shows an example of a prototype to the medical device industry. Drug delivery is moving through a period of rapid development. Many drugs are being incorporated into small, silicone-based delivery devices, which can release a drug directly with fewer side-effects.

READ MORE ABOUT: HEALTHCARE & MEDICAL TECHNOLOGY

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 not managed in the correct manner 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 industries and niches. The business has a wide geographic spread. The Group has operations in 40 countries, sales are conducted in just over 140 countries worldwide and manufacturing operations are carried out at 100 production sites. The business is diversified geographically and across a range of different industries, 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. With the divestment of the business area Trelleborg Wheel Systems, the Group has become less cyclical since there used to be distinct seasonal effects especially in agriculture. The Group focuses on industries and geographies with healthy growth that can report consistent earnings even when adverse cyclical fluctuations occur in individual industries.

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 and to enable a follow-up of the risks and how they are managed.

The vast majority of risks are managed locally. However, 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 39. 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 40–41 and in Note 33 on pages 102–104 concerning financial risk management.

The highest governing body for risk management is the Board of Directors and its Audit Committee, which routinely manages these risks. In addition, risks are managed in such forums as:

- » ERM Board
- » Compliance Task Force
- » Global Chemicals Task Force
- » IT Governance Board
- » Sustainability Risk Task Force

Risks

Trelleborg has chosen to group the risks into four 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 strategy on pages 18–23.
- » **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 how it works with diversity on pages 128–129.
- » **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 and safety, trade restrictions, anti-competition regulations and currency regulations. Read more about Trelleborg's compliance with laws and codes on pages 130–132.
- » **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 33, pages 102–104.

In the Corporate Governance Report on pages 48–49, there is a detailed description of the internal controls used to manage the risks associated with financial reporting.

Sustainability risks run as a common thread through these areas and relate to climate impact, work environment risks or risks in the area of human rights. 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 – that is, events and behaviors that negatively impact the company's brands and confidence – are another risk that the Group highlights. 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 dialog, product safety and so forth.

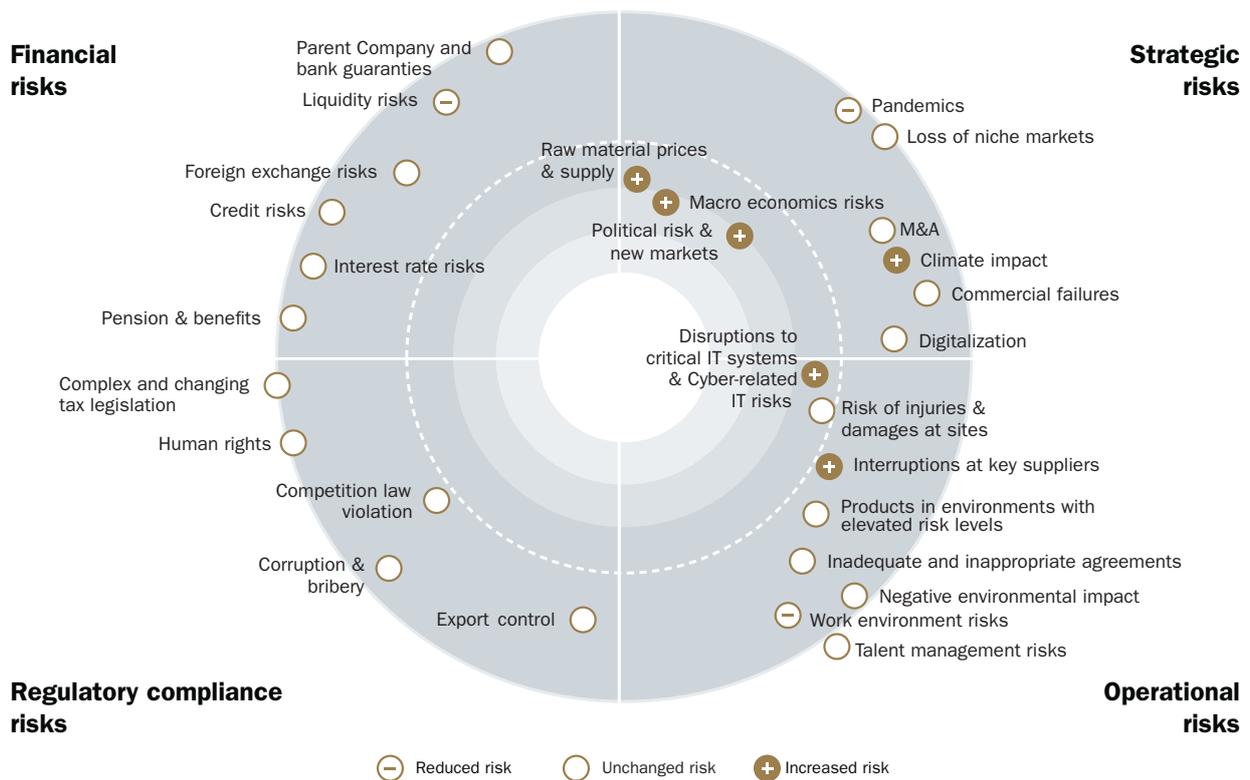
Crisis management

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 the Chief Financial Officer and members from 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 Group Management and the Board of Directors, is informed and assesses how to handle the event.

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 appearance of the risks in the model below indicates changes in relation to the preceding year. Risks with a material impact on the opportunity to achieve the Group’s targets are listed in the table on pages 40–41.

RISKS IN THE TRELLEBORG GROUP AND MOVEMENTS IN RISK LEVELS



Material risks at Trelleborg

REGULATORY COMPLIANCE RISKS ¹

Risks	Focus	Management and main activities	Relevance for SDGs
Violation of laws and permits	Compliance with applicable legislation	<p>The Compliance Task Force leads and coordinates initiatives in this area, refer to page 130. Training seminars are arranged, including competition law and the EU's General Data Protection Regulation (GDPR). 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 and approval of collaborations with third parties.</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> <p>During the year, the export control process was intensified with a particular focus on developments in sanctions against Russia and Belarus.</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 acceptance letters, signed yearly, for the relevant employees, refer to page 130. Trelleborg's Whistleblower Policy also entitles all employees to report any suspected legal or regulatory violations without repercussions, refer to page 130.</p> <p>Review and evaluation of agency and distribution agreements are regularly conducted. The Group's 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, refer to pages 131–132.	 8.8

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

OPERATIONAL RISKS

Risks	Focus	Management and main activities	Relevance for SDGs
Work environment risks	Health and safety	Risks in the area of health and safety are managed via the Safety@Work program, refer to page 128. Issues concerning employees are otherwise monitored as part of compliance with laws and codes, refer to pages 130–132, and diversity & inclusion, refer to pages 128–129.	 8.8
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, marine infrastructure, 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.	
Inadequate and inappropriate agreements	Examination of agreements	Not only comprehensive training, but also internal and external legal reviews of contract issues and evaluation of contracts in prioritized areas. In 2022, AI-based tools began to be used to review and assess risks in agreements.	
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 actively monitors developments in materials and chemicals legislation, refer to page 38. In addition, there is ISO 14001 multi-site certification, which results in increased standardized analysis and control.</p>	 12.4
Risk of injury at sites	Protection of critical sites	<p>External and internal analyses of the Group's operations are carried out with regard to the most critical sites. Also a more in-depth mapping of natural disaster risks is made, with a particular focus on flooding and wind effects, including such risks that are related to climate change.</p> <p>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.</p>	 13.1
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 SDGs
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 (refer also to the section on pages 118–120)	Adaptation of production and products	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 123. Work aimed at reducing the Group's fossil-fuel dependence was intensified during the year with respect to both own products and production resources.	
	Reduction of CO ₂ emissions	In 2021, the Group resolved on new climate targets, "50 by 25", for the period 2021–2025. In line with society's target to keep global warming below 1.5°C, Trelleborg's climate target for the period is to reduce direct and indirect CO ₂ emissions (Scope 1 and Scope 2) by 50 percent relative to sales, with 2020 as the base year, and significant reductions of emissions along the value chain (Scope 3). Refer to pages 124–125. For many years, energy efficiency has been the focus of the Manufacturing Excellence program, refer to page 23.	 13.1
Political risks	Geopolitics and sanctions	In 2022, the Group started to discontinue its operations in Russia. The Group complies with all relevant sanctions introduced as a result of the war in Ukraine and previous plans for a manufacturing site in Russia were stopped early in the year. The geopolitical situation is being monitored and is taken into account in all business plans.	
Supply chain disruptions	Material shortages and delays	There was greater focus on the supply chain in 2022 compared with previous years, as a result of disruptions to global deliveries and the impact of the Coronavirus pandemic and the war in Ukraine on supplies. The Group has well-established tools in place to ensure parallel supplies and evaluates and balances purchasing between local, or global, suppliers, which limits disruption.	

FINANCIAL RISKS

Read more about Trelleborg's financial risk management in Note 33, pages 102–104.

Corporate governance that supports Trelleborg's development

The record-breaking earnings this year and favorable trend in earnings per share are confirmation that Trelleborg's strategy and decentralized business model can well withstand different types of challenges and turbulence in the market. Trelleborg is characterized by a high pace of change aimed at making continuous improvements and 2022 was no exception.

Good underlying risk diversification

Just when we were looking forward to society and cities reopening after almost two years of the pandemic, we saw a very difficult and tragic start to 2022: Russia's invasion of Ukraine, which resulted in vast human suffering. At Trelleborg, the discontinuation of our operation began in Russia, and the previous plans for a manufacturing site in the country were stopped. Problems arose with the supply of input goods to many industries. Energy prices increased due to the war, which fueled rising inflation, and the subsequent sharp hikes in interest rates.

Trelleborg is not unaffected by fluctuations in the global economy, but has good underlying risk diversification since the operations serve a broad range of customers in a variety of industries and geographic markets. All of these challenges that arose during the year were handled in a commendable manner by employees at all levels in the Group.

Continued focus on sustainability

In 2022, Trelleborg continued its targeted efforts to substantially reduce its carbon emissions. The transition to a fossil-free energy supply for the entire global operation is an ongoing process and is a priority issue for the Board. These efforts are being carried out under the Energy Excellence program, and in 2022 Trelleborg also worked with its mapping of Scope 3 emissions that will form the basis of its application for a Science Based Target in 2023.

The way Trelleborg looks after its employees and does business are other elements that play an important role in the Group's sustainability strategy. Diversity, inclusion and fair working conditions are embedded in the corporate culture. Health and safety, business ethics and transparent reporting are areas where Trelleborg has undertaken to maintain a very high standard. Moreover, the company is firmly committed to working together with, and providing a positive contribution to, local communities wherever it operates.

Major strategic decisions

The Board makes many decisions during a fiscal year that are to contribute to Trelleborg's development. However, two of these in 2022 can be regarded as major strategic decisions: the divestment of the tire operation and the acquisition of Minnesota Rubber & Plastics.

The decision to divest Trelleborg Wheel Systems was not an easy one to make. But after analyzing various alternatives open to the Group, we concluded that a divestment at a total value of EUR 2.1 billion would generate the highest value for our shareholders and present new exciting opportunities for the Group moving forward.

Minnesota Rubber & Plastics, with annual sales of around SEK 2.25 billion, is a welcome acquisition strategically for the Group's sealing operation, making it as strong in North America as its previously established position in Europe. The company operates in typical growth areas for the Group: medical equipment, water management and food & beverage, as well as in several fast-growing industrial applications. I am looking forward to seeing how this acquisition will be integrated and strengthen the Group. But I will be doing this from a certain distance.

A new Trelleborg

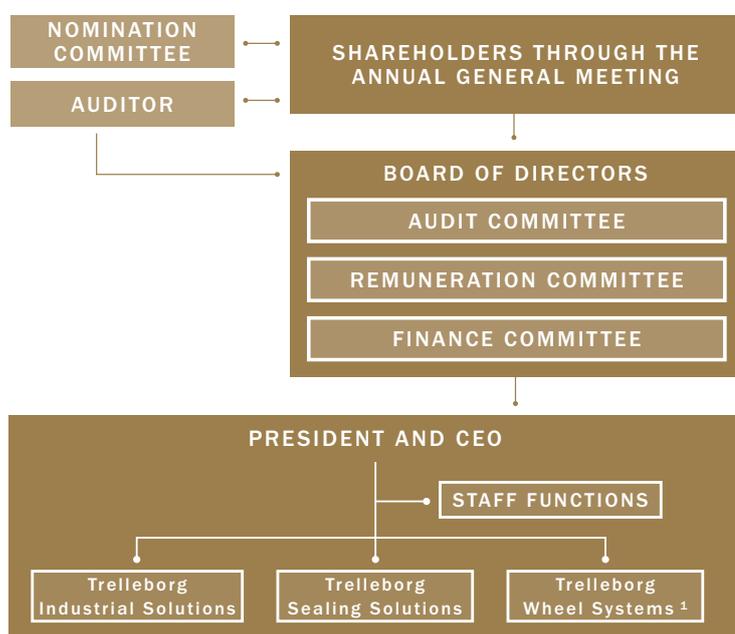
After 14 years on the Board of Directors, five of which as Chairman, I have announced that I will not stand for reelection to the Board. I see the divestment of Trelleborg's tire operation as a natural time to step down. A new Board Chairman will take over when a new chapter begins for Trelleborg.

I have thoroughly enjoyed working for Trelleborg and I would like to express my thanks to the owners for the trust they have shown me. I would also like to thank Trelleborg's employees for their great commitment and strong will to change. At the same time, I would like to wish my Board colleagues every success with their work. Trelleborg's development has been outstanding and we can conclude that the Group is very well equipped for the future.



HANS BIÖRCK,
CHAIRMAN OF THE BOARD

Corporate governance in Trelleborg AB



¹ Asset held for sale.

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, Remuneration and Finance Committees.

EXTERNAL POLICY INSTRUMENTS

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

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

INTERNAL POLICY INSTRUMENTS

Internally binding policy instruments include:

- » Articles of Association
- » 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 and Code of Conduct
- » Treasury Policy – 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.

» **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 prepares remuneration and other employment terms for the President and decides on these for other senior executives. The Committee represents the Board in managerial and succession planning as well as 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, potential acquisitions and divestments, as well as 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's staff functions – Finance and IT, Legal, Communications and HR – support the Group and business areas with Group-wide expertise and duties. Staff functions include the following:

» **Sustainability.** Group Communications has coordinating responsibility for sustainability reporting. Reports are presented to the Board. The daily sustainability activities take place in the Sustainability Council, which is a group comprising representatives from the staff functions, as well as out in the operational units.

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

Corporate Governance Report 2022

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 2022 Corporate Governance Report in this section. No deviations from the Code have been reported. 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 2022

The 2022 Annual General Meeting took place on April 27, 2022, in Trelleborg. Due to the Coronavirus pandemic, the Meeting was conducted without physical presence, with shareholders exercising their voting rights exclusively by postal voting. According to the voting list prepared, approximately 73 percent of the votes in Trelleborg were represented at the Meeting.

After the meeting, the Chairman of the Board and the President gave an account of the Board's work during the year and the company's performance, respectively, in presentations that were recorded.

There was the possibility for shareholders to address written questions to Trelleborg's management prior to the Meeting.

The complete minutes and information on the 2022 Annual General Meeting are available at www.trelleborg.com. The resolutions passed by the Meeting included the following:

- » The dividend according to the Board's proposal of SEK 5.50 per share
- » Re-election of all Board members: Hans Biörck, Gunilla Fransson, Monica Gimre, Johan Malmquist, Peter Nilsson, Anne Mette Olesen 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
- » The Board's remuneration report for fiscal year 2021
- » Resolution on authorization for the Board to decide on the repurchase of shares

Trelleborg 2023 Annual General Meeting

Trelleborg's 2023 Annual General Meeting will be held on April 27, 2023, in Trelleborg. For information on shareholders and the Trelleborg share, refer to pages 12–13 and www.trelleborg.com.

Nomination Committee for the 2023 Annual General Meeting

According to a resolution by the 2021 Annual General Meeting, the Chairman of the Board is to contact the five largest shareholders registered as owners in terms of votes by the end of August each year to ask that they appoint one member each to the Nomination Committee for the next Annual General Meeting. If any shareholder declines to appoint a member, the Chairman shall request that the next shareholder in turn appoint a member. The Nomination Committee can decide that the Chairman of the Board will be included in the Nomination Committee, but not be appointed Chairman.

No payment is made to members of the Nomination Committee.

WORK OF THE BOARD OF DIRECTORS IN 2022

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
Board meetings		<p>1 Report from Board Committees, report from the auditor, report from the President, Year-end report, proposed dividend, sustainability issues, risk management, legal requirements and insurance coverage, investments, acquisitions and divestments, decision on the President's remuneration, update on property matters</p> <p>2 2021 Annual Report, remuneration principles for senior executives</p>	<p>3 Divestment matters, decision on proposed share repurchase program</p>	<p>4 Report from the Board Committees, report from the President, interim report, investments, acquisitions and divestments, mandate for share repurchase program</p> <p>5 Statutory Board meeting</p>		
Audit Committee	M			M		
Remuneration Committee	M	M			M	
Finance Committee			M	M		M

M = Committee meetings.

The Nomination Committee for 2023 held six minuted meetings and maintained continuous contact up to and including February 15, 2023. 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, and held meetings with the President, CFO and two Board members.

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 at the time took into consideration the Diversity Policy when preparing its proposal for the election of Board members ahead of the 2022 Annual General Meeting, which resulted in the Board composition presented on pages 54–55.

The Nomination Committee's proposals to the 2023 Annual General Meeting will be published in the official notification and on www.trelleborg.com.

Board of Directors 2022

In 2022, Trelleborg's Board of Directors comprised seven members elected by the Annual General Meeting, including the President. Employees elect three representatives and one deputy to the Board of Directors. The Group's Chief Financial Officer 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 54–55 and Note 10, page 81.

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, structural issues and sustainability issues, as well as resolutions on the President's remuneration and evaluation by the Board of Directors.

In addition to the Board meeting, a study trip was made to some of the Group's entities in Germany and Switzerland.

The President presents a report on the operations' 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 and the Audit Committee.

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 in relation to management. It is an annual, systematic and structured process. In 2022, a survey was conducted and all members were also interviewed by the Chairman. The results from

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
<p>6 Report from the Board Committees, report from the President, interim report, sustainability issues, investments, acquisitions and divestments</p> <p>7 Acquisition and financing issues</p>		<p>8 Report from the President, update on macroeconomic situation, strategy issues, financial targets, update on share repurchase program, sustainability issues, acquisitions and divestments, presentation by the business area presidents of Trelleborg Industrial Solutions and Trelleborg Sealing Solutions</p>	<p>9 Report from Board Committees, report from the auditor, report from the President, interim report, strategic plan 2023–2025, acquisitions and divestments, investments, succession planning, update on property matters, sustainability issues, Board evaluation</p>		<p>10 Report from Board Committees, report from the auditor, report from the President, strategic plan and ambitions for 2023–2025, plan for the Annual Report, Board evaluation, Excellence programs, acquisitions and divestments, investments, outcome of employee survey, sustainability issues</p>
M			M	M	
			M	M	
				M	

these interviews were presented and discussed by the Board and Nomination Committee, forming the basis for evaluating the size and composition of the Board. The evaluation highlighted proposals for how the work of the Board of Directors could be further improved. The evaluation included the contribution made by the Chairman of the Board and the results were discussed when the Chairman was not present. The evaluation for 2022 shows that the work of the Board is deemed to have functioned well. 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, legal requirements, 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 ERM issues and IT and IT-related security issues. The Committee is also to represent the Board by monitoring day-to-day financing operations, and annually reviews and makes proposals for changes to the Treasury Policy.

In 2022, five meetings of the Audit Committee were held.

Remuneration Committee. Recurring issues at Remuneration Committee meetings are remuneration principles and evaluation, goals and outcome of variable remuneration (annual variable salary and long-term incentive programs), succession planning and leadership development. The Remuneration Committee also prepares the annual remuneration report.

In 2022, five meetings of the Remuneration Committee were held.

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

In 2022, four meetings of the Finance Committee were held. Refer to the illustration on pages 44–45.

Auditor 2022

The Annual General Meeting resolved that the auditing firm Deloitte AB shall be Trelleborg's auditor for a period of one year. Refer to page 47 for further information.

Group Management 2022

In 2022, Group Management held four meetings. Normally, the meetings take place over a few days to allow time for presentations and discussions. These meetings focused on the Group's strategic and operational performance and budget follow-up. In addition, several reviews and regular checks took place concerning the performance of operations in relation to, for example, contingency plans for economic fluctuations, major orders, potential acquisitions, risk management and so forth.

Trelleborg's operating activities are organized into continuing operations comprising two business areas and in 2022 discontinuing operations, primarily comprising the Group's tire operation. Together, these consist of about 20 business or marketing units, which in turn comprise approximately 40 product or function areas. The organization is based on the principle of decentralized responsibility and authority.

Each legal unit, which does not necessarily reflect the operational businesses, 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 135.

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 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 attitude and corporate culture. 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 128–129.

MEMBERS OF BOARD COMMITTEES AT DECEMBER 31, 2022

Audit Committee

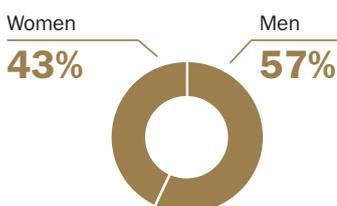
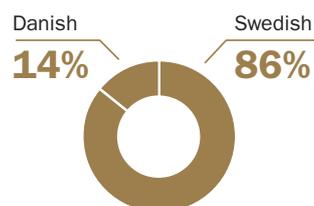
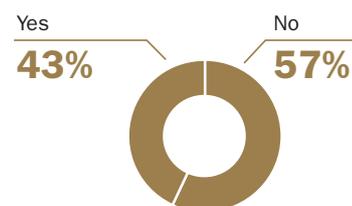
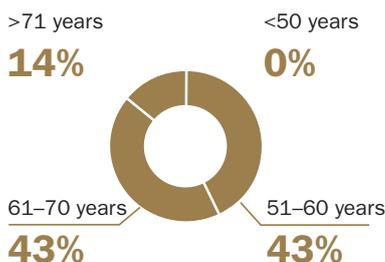
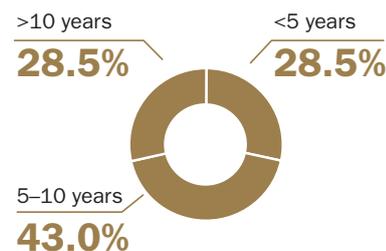
Gunilla Fransson, Chairman
Hans Biörck
Monica Gimre
Jan Ståhlberg

Remuneration Committee

Hans Biörck, Chairman
Johan Malmquist
Anne Mette Olesen

Finance Committee

Hans Biörck, Chairman
Johan Malmquist
Jan Ståhlberg

GENDER DISTRIBUTION IN THE BOARD OF DIRECTORS ¹BOARD'S NATIONALITY ¹DEPENDENCE IN RELATION TO MAJOR SHAREHOLDERS OR POSITION ¹AGE DISTRIBUTION ON THE BOARD OF DIRECTORS ¹BOARD MEETING ATTENDANCE ¹TIME ON THE BOARD OF DIRECTORS ¹

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

NOMINATION COMMITTEE FOR THE 2023 ANNUAL GENERAL MEETING

Name/Representing	Share of votes, % Aug 31, 2022	Share of votes, % Dec 31, 2022
Ragnar Lindqvist, Dunker Foundations	54.10	54.10
Per Trygg, Lannebo Funds	1.90	1.50
Anna Sundberg, Handelsbanken Funds	1.29	1.43
Johan Sjöström, Second Swedish National Pension Fund	1.00	0.83
Ulrik Grönvall, Swedbank Robur Funds	0.94	1.23
Total	59.23	59.09

AUDITOR'S REMUNERATION

SEK M	2022	2021
<i>Deloitte</i>		
Audit assignment	20	18
Audit activities other than audit assignment	1	1
Tax consultancy services	0	0
Other services	0	0
<i>Other auditors</i>		
Audit assignment	5	5
Audit activities other than audit assignment	0	0
Tax consultancy services	0	-
Other services	0	-
Total	26	24

AUDITOR 2022



HANS WARÉN

AUTHORIZED PUBLIC ACCOUNTANT

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, Industrivärden and SKF
Born: 1964

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 and are observed. Refer to page 43 for list of external and internal policy instruments.

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 Chief Financial Officer. 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 49.

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 Chief Financial Officer 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, Audit Committee, President, Group Management, the staff functions of Internal Control, 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 2022

The Internal Control staff function conducted 45 internal audits in 23 countries during the year. Of these, 8 were IT security audits. The focus was primarily on Europe, North and South America. Fewer audits were carried out on site in Asia due to travel restrictions resulting from the Coronavirus, although some were replaced by digital audits. The total number of audits was in line with the preceding year. Most of the internal controls 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 2022, the Internal Control staff function also worked on a broad front with reviews of all processes and most controls were conducted physically.

Activities in focus in 2023

The number of planned internal audits amounts to 42 and comprises 38 entities. Geographically, the Internal Control staff function evenly divides its focus between Europe, Asia and the US. In 2023, 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.

The following information is available at www.trelleborg.com:

- » Articles of Association
- » Code of Conduct
- » Corporate Governance Reports from 2007 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 2023 Annual General Meeting

INTERNAL CONTROL STRUCTURE OF THE TRELLEBORG GROUP

	Self-assessment	Internal Control	Training/Tools
Financial reports and reporting processes	<ul style="list-style-type: none"> ■ Group-wide reporting system with quarterly feedback from subsidiaries. 	<ul style="list-style-type: none"> ■ Internal controls are conducted by the Internal Control staff function in cooperation with internal resources from other staff functions and external consultants. 	<ul style="list-style-type: none"> ■ Training programs in defined processes relating to minimum requirements for good internal control are carried out when necessary.
Purchasing process	<ul style="list-style-type: none"> ■ Companies respond to how they comply with the Group's minimum requirements for good internal control in selected processes. 	<ul style="list-style-type: none"> ■ Internal controls of IT security are carried out by the head of Group IT together with external consultants. 	<ul style="list-style-type: none"> ■ The purpose of the training programs is to raise awareness and understanding of efficient processes and good internal control.
Inventory process	<ul style="list-style-type: none"> ■ Deficiencies are identified, measures are planned and implemented by the companies. 	<ul style="list-style-type: none"> ■ Covers 7 selected processes and about 280 minimum requirements for good internal control. 	<ul style="list-style-type: none"> ■ Training programs are a forum for the exchange of experience and sharing best practice.
Sales process	<ul style="list-style-type: none"> ■ Encompasses approximately 130 subsidiaries. 	<ul style="list-style-type: none"> ■ Internal controls result in observations, recommendations and proposals for decisions and measures. 	<ul style="list-style-type: none"> ■ Training programs in defined processes related to minimum requirements for good internal control are also held as an integrated part of the internal audits.
Process for property, plant and equipment	<ul style="list-style-type: none"> ■ Covers 7 selected processes and about 280 minimum requirements for good internal control. 	<ul style="list-style-type: none"> ■ Identified deficiencies are followed up on a quarterly basis by business area controllers and the Internal Control staff function. 	<ul style="list-style-type: none"> ■ Material available on the intranet to provide employees access to standardized tools and documents, as well as examples of business solutions.
IT security process	<ul style="list-style-type: none"> ■ All relevant employees annually confirm in writing their knowledge of, and compliance with, the Group's internal policy instruments. 		
Remuneration management process, incl. pensions and other compensation			

Sustainability governance and organization

During 2022, governance and organization of sustainability were further developed. Trelleborg adjusted its organization during the year to clarify the roles of the Board of Directors, management, executive steering committee and operational employees for the governance of sustainability work, as well as the individual responsibility of the business areas for planning and implementation.

Overall responsibility

The Board of Director's role as the highest body was strengthened in terms of governance of sustainability issues. From 2021, work on sustainability issues at Board level was expanded so that the entire Board can continuously monitor developments using selected performance measures, which has naturally been facilitated by the introduction of sustainability reporting in the quarterly reports as of 2022, as well as through examples and case stories from Trelleborg's ongoing sustainability work.

Issues relating to Trelleborg's corporate governance, its codes, Nomination Committee and work concerning the Board's expertise, composition and diversity, as well as issues concerning evaluation of the Board's work, are reported in the section on corporate governance and internal control. Meetings during 2022, their content and the Board's attendance are reported on pages 44–45 and 54–55.

Remuneration

An important step for sustainability governance was how part of the variable remuneration for Trelleborg management is to be linked to responsibility and planning for sustainability. In 2022, this variable remuneration was, similar to last year, linked to planning and the

implementation of the Group-wide sustainability agenda in accordance with the Group targets at business area level. The aim for the years ahead is to gradually link this variable remuneration for management to identified material sustainability indicators according to the materiality analysis that will be carried out in connection with the transition to reporting under the EU Corporate Sustainability Reporting Directive (CSRD). It appears that this new reporting will fully come into force for Trelleborg from the 2024 reporting year.

Governance and steering committee

As mentioned above, the organization and governance of sustainability at Trelleborg have been strengthened in pace with the implementation of the *Protecting the Essential* strategy. The internal sustainability governance is conducted in accordance with the Group's organization of the sustainability area into three different focus areas: Operations, Compliance and Social engagement, with underlying responsibility and shared performance measures. The work is further supported by various types of internal audits in the units, for example, within the framework of the occupational Safety@Work program and internal ISO 14001 audit.

During the year, the sustainability steering committee comprised, as

ORGANIZATION ¹



¹ Organization as of 2023.

previously, the heads of the Legal, Communications/HR, Excellence/Purchasing staff functions, the Chief Financial Officer, and the head of Sustainability. The meeting frequency was increased during the year to an average of every other month.

From 2023, company management in its entirety will comprise the sustainability steering committee and their management meetings will contain sustainability as a standing item on the agenda, see image on page 50.

Coordination and operational responsibility

Overall coordination of operational sustainability responsibility at Group level has been clarified: The head of Group Legal is responsible for coordination of the Compliance focus area, the head of Excellence/Purchasing is responsible for coordination of most of the Operations focus area, and the head of Communications/HR is responsible for coordination of the Social engagement focus area and coordination of the HR-related part of the Operations focus area.

As of 2023, much of the day-to-day sustainability activities at Group level will take place in the Sustainability Council, a group led by the head of Sustainability and through a number of cross-organizational groups with dedicated areas of responsibility (see image on page 50) in such core areas as Compliance, Chemicals and Raw materials, as well as under the framework of Excellence activities (refer to page 22).

Practical internal work

The business areas are responsible for the implementation of the practical sustainability activities. During the year, they presented their planning and follow-up in the sustainability area for management for the fulfillment of the Group’s sustainability targets. Following the more clearly defined responsibilities at business area level for sustainability performance and follow-up, sustainability

controllers were appointed and commenced their work. Each production site already has an environmental coordinator and occupational health and safety officers.

A central pillar of the internal sustainability work is Trelleborg’s Code of Conduct (see also page 131) and Group policies in the areas of environment, occupational health and safety (OHS) and ethics. The Code of Conduct applies to all employees without exception. Training in the content of the Code is mandatory for all employees and is to be refreshed at least every three years. The Group’s basic Code of Conduct and the Group policies are based on internationally recognized conventions and guidelines, such as the Universal Declaration of Human Rights, the ILO conventions, the OECD guidelines for multinational companies and the UN Global Compact, which Trelleborg signed in 2007.

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. The whistleblower system is being developed to also be available to external stakeholders.

Reporting and assurance

The complete external reporting of sustainability issues is published in Trelleborg’s Annual Report and also in the annual, more comprehensive, Sustainability Report. In both cases, reporting is based on the GRI Standards version, Core option.

See the image below for a summary of Trelleborg’s sustainability communication. Furthermore, 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 separate Sustainability Report contains detailed descriptions

PROTECTING THE ESSENTIAL



and an index to clarify exactly how the report follows the GRI guidelines and the TCFD's (Task Force on Climate-related Financial Disclosures) recommendations. In addition, there is a supplementary index that considers Trelleborg's operations relative to the UN SDGs, refer to pages 117 and 123. The separate annual Sustainability Reports also serve as Trelleborg's annual Communication on Progress (COP) to the UN Global Compact. An overview of Trelleborg's sustainability work is also available at www.trelleborg.com under the Sustainability heading.

From 2021, sustainability has been a standing item of content in Trelleborg's interim reports and from 2022, quantitative data is also presented in the interim reports in the areas of energy, climate and occupational health and safety.

External assurance. Deloitte has undertaken a limited assurance engagement of Trelleborg's sustainability report for 2022. This assurance report is presented on page 136.

Report's scope and approach

For the fifth year, Trelleborg is reporting on sustainability in this Annual Report in accordance with the GRI Standards Core Guidelines. The 2021 Annual Report was published in March 2022. In addition, the 2022 Annual Report, published in March 2023, is adapted to the sustainability reporting rules of the Swedish Annual Accounts Act, refer to table on page 135. An overall aim of reporting sustainability issues is to provide an accurate overview of the Group's activities, results/performance and commitments in the environmental, health/safety and social areas, as well as business ethics and governance issues.

The report's target group is everyone in any way interested in Trelleborg: shareholders, investors, employees, customers and suppliers, authorities, media, students and researchers, as well as local stakeholders or neighbors.

Unless otherwise stated, the data presented pertains to the 2022 calendar year. The preceding year's data (2021) is presented in parentheses.

GRI index

A condensed GRI index is presented on page 135, adapted to the updated 2021 GRI standards. A more complete GRI index is available in the separate Sustainability Report for the year. The complete index includes the obligatory Management Approach Disclosures (Descriptions of approach to governance) as well as descriptions of omitted data related to certain key figures.

Risks

To meet the various needs of its stakeholders and the Group for a comprehensive risk analysis, Trelleborg works with three approaches and frameworks:

- » Group-wide focus on Enterprise Risk Management (ERM) to analyze and cover classic risk presenting a weighting of outcome and probability, refer to pages 38–41.
- » Risk analysis in accordance with the UN Sustainable Development Goals (SDGs), a general and society-oriented review of the risks and impact of our operations on the environment and people in accordance with the 17 SDGs. Refer to page 117.
- » Special analysis of climate-related risks and opportunities under the TCFD framework, refer to pages 118–120. The scenarios uses are a) that society succeeds with the transition and keeping global warming below 2°C, b) that society does not succeed with the transition and global warming is as high as 4°C.

Significant changes since the preceding report

The basis of this report is a materiality analysis conducted during the year and evaluated by Trelleborg using an external party, refer to page 116. It reflects the most important sustainability aspects from the perspective of internal and external interests, but has not been completely updated in 2022.

In the area of climate, however, a double materiality perspective was also used in 2022 that takes into consideration impact materiality and financial materiality, refer to pages 118–120. The aim is to gradually apply such a double materiality perspective to all sustainability areas.

A change compared with last year is this combined section on *Sustainability governance* that has been added to adapt to future EU regulations.

The section on Scope 3 emissions on page 25 with figures for emissions from the Group and continuing operations is new for this year.

VOC emissions for the years 2020 and 2021 have been revised due to non-compliances detected between monthly and annual reporting in several units within Trelleborg Wheel Systems.

Reporting policies

For the preparation of this report, all Group units reported in the shared reporting system:

- » The report encompass all Trelleborg units in which ownership exceeds 50 percent. It includes all producing and non-producing units that have employees.
- » For acquired and divested units, the report covers the part of the year in which they were part of Trelleborg.

- » A ten-year overview of the Group's sustainability performance is presented on page 138.

It is the head of each facility who has ultimate responsibility for the correctness of reported data. In practice, it is the controller of each unit, in consultation with the unit's managers in environment, HR, purchasing and other special areas, who are responsible for the reported figures and data, and this reported data is then checked by the business area's sustainability controllers.

Relevant Group functions are also involved in the quality control of reported data.

The following reporting policies apply to climate-related data:

- » The calculation of CO₂ emissions from the consumption of purchased electricity is mainly based on location-based national conversion factors from the International Energy Agency (2021 version). Conversion factors for electricity consumption reflect the current average total electricity mix of each country; sources such as hydro and nuclear power generate lower emissions, while coal and oil generate higher emissions.
- » For renewable/fossil-free electricity, Trelleborg applies the following principle: All downward adjustments of emissions (compared with location-based national conversion factors) must be attested by a certificate specifying the energy mix and net emissions delivered.



	Hans Biörck	Gunilla Fransson	Monica Gimre	Johan Malmquist
	Chairman ²	Member	Member	Member ²
Year elected	2009, Chairman 2018	2016	2021	2016
Born	1951	1960	1960	1961
Nationality	Swedish	Swedish	Swedish	Swedish
Qualifications	Graduate in business administration	M.Sc. Eng. and Licentiate of Technology	M.Sc. Eng.	Graduate in business administration
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 Foundations, Eitel AB, Nederman AB, and Securitas AB		Chairman of the Board of Arjo AB and Getinge AB. Board member of Dunker Foundations, Elekta AB, Mölnlycke Health Care AB, Stena Adactum AB and the Chalmers University of Technology Foundation
Employment and primary 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	President and CEO Sidel Group Formerly various senior positions at Tetra Pak and Alfa Laval	Full-time Board member and/or Chairman Formerly President and CEO of Getinge AB and various senior positions at Electrolux AB
Dependence in relation to major shareholders or position	No	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, the Dunker Foundations	No	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, the Dunker Foundations
Shareholding 2022	10,000 shares	3,000 shares	4,538 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
Audit Committee attendance	Member 5 of 5	Chairman 5 of 5	Member 5 of 5	–
Remuneration Committee attendance	Chairman 5 of 5	–	–	Member 5 of 5
Finance Committee attendance	Chairman 4 of 4	–	–	Member 4 of 4
Total reimbursement 2022, SEK 000s ¹	2,385	950	835	855
Of which Board, SEK 000s	1,975	675	675	675
Of which Committees, SEK 000s	410	275	160	180

Board assignments and holdings in Trelleborg as stated above reflect the situation as per December 31, 2022.

¹ Remuneration to the Board for the May 2022–April 2023 period. 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 2022 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 Following 14 years on the Board of Directors, five of which as Chairman, Hans Biörck has declined reelection to the Board of Directors in 2023. Johan Malmquist is the proposed Chairman of the Board of Directors for 2023.

BOARD MEMBERS AND DEPUTIES APPOINTED BY THE EMPLOYEE ORGANIZATIONS



Maria Eriksson

Employee representative, appointed by the Unions of the Trelleborg Group (PTK)
Elected to the Board: 2020
Born: 1972
Nationality: Swedish
Quality engineer. Other assignments: Chairman of Unionen Trelleborg Ersmark AB and member of Trelleborg Swedish Works Council (PTK)
Qualifications: Engineer, machine specialist
Shareholding 2022: –
Board meeting attendance: 10 of 10



Jimmy Faltn

Employee representative, appointed by the Unions of the Trelleborg Group (LO)
Elected to the Board: 2018
Born: 1965
Nationality: Swedish
Machine operator. Other assignments: 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
Qualifications: Training in behavioral science, employment contracts and labor law
Shareholding 2022: –
Board meeting attendance: 9 of 10



	Peter Nilsson	Anne Mette Olesen	Jan Ståhlberg
	Member	Member	Member
Year elected	2006	2015	2018
Born	1966	1964	1962
Nationality	Swedish	Danish	Swedish
Qualifications	M.Sc. Eng.	MBA and B.Sc. Eng.	Graduate in business administration
Other assignments	Chairman of the Board of Cibes Holding AB. Board member of the Chamber of Commerce and Industry of Southern Sweden	Board member of Schur International A/S and Konsul Axel Schur og Hustrus Fond	Board member of Bactiguard Holding AB and ITB-Med AB
Employment and primary professional experience	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 Strategy & Sustainability Officer AAK AB ⁴ Formerly various senior positions at Coloplast A/S, Chr. Hansen A/S and Danisco Ingredients A/S	Founder and CEO of Trill Impact AB Formerly Vice President and Deputy Chairman of EQT and various senior positions at Ovako Steel
Dependence in relation to major shareholders or position	Yes. Dependent in relation to the company as a result of his position as Trelleborg's President	No	No
Shareholding 2022	60,572 shares and 50,000 call options (2018) ³	2,500 shares	130,000 shares
Shares in related companies	–	–	–
Board meeting attendance	Member 10 of 10	Member 10 of 10	Member 10 of 10
Audit Committee attendance	–	–	Member 5 of 5
Remuneration Committee attendance	–	Member 5 of 5	–
Finance Committee attendance	–	–	Member 4 of 4
Total reimbursement 2022, sek 000s ¹	–	765	925
Of which Board, sek 000s	–	675	675
Of which Committees, sek 000s	–	90	250

Board assignments and holdings in Trelleborg as stated above reflect the situation as per December 31, 2022.

¹ Remuneration to the Board for the May 2022–April 2023 period. 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 2022 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.

³ Refer to page 56 for more information about call options.

⁴ Until December 31, 2022.



Lars Petterson

Employee representative, appointed by the Unions of the Trelleborg Group (LO)
Elected to the Board: 2018
Born: 1965
Nationality: Swedish
Machine operator. Other assignments: Member of Unions of the Trelleborg Group (LO)
Qualifications: Cabinetmaker, training in negotiation and in salary system development
Shareholding 2022: –
Board meeting attendance: 10 of 10



Magnus Olofsson

Deputy employee representative, appointed by the Unions of the Trelleborg Group (PTK)
Elected to the Board: 2021
Born: 1964
Nationality: Swedish
Production manager and process manager. Other assignments: Chairman of Unionen Trelleborg Industri AB and Trelleborg AB and member of Trelleborg Swedish Works Council (PTK)
Qualifications: Rubber and plastics technology. Previous positions in production management, product and process development.
Shareholding 2022: –
Board meeting attendance: 10 of 10



	Peter Nilsson	Fredrik Nilsson	Jean-Paul Mindermann	Peter Hahn
Position	President and CEO	Chief Financial Officer (CFO)	Business Area President, Trelleborg Industrial Solutions	Business Area President, Trelleborg Sealing Solutions
Employed	1995	2021	2011	2001
In current position since	2005	2021	2017	2018
Born	1966	1977	1965	1958
Nationality	Swedish	Swedish	German	US/German
Qualifications	M.Sc. Eng.	Graduate in business administration	Graduate in business administration	M.Sc. Eng.
Other assignments	Chairman of the Board of Cibes Holding AB. Board member of Trelleborg AB and the Chamber of Commerce and Industry of Southern Sweden		President of Contex Holding GmbH and Board member of Herschel Infrared Ltd, Herschel Energy Ltd and Terra Fidelis GmbH	
Professional experience	Business Area President at Trelleborg and other posts within the Trelleborg Group, as well as management consultant at BSI	Chief Financial Officer AAK AB, various finance roles in Sandvik	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
Shareholding 2022	60,572 shares and 50,000 call options ¹	3,475 shares	–	12,500 call options ¹

¹ 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 2022

SEK 000s		Fixed salary	Annual variable salary	Long-term incentive program ¹	Other benefits	Total	Pension costs	Total including pension
President and CEO	2022	12,317	7,279	7,559	220	27,375	5,363	32,738
	2021	11,917	8,956	4,614	221	25,708	5,181	30,889
Group Management, others (6 persons)	2022	24,859	13,114	13,321	1,223	52,517	5,784	58,301
	2021	24,401	13,233	5,461	1,124	44,219	5,574	49,793
Total	2022	37,176	20,393	20,880	1,443	79,892	11,147	91,039
Total	2021	36,318	22,189	10,075	1,345	69,927	10,755	80,682

¹ Expensed in 2022. Payment is made in the first quarter, 2023 to 2025, on condition that the individual is employed in the Group on December 31 of the preceding year.



	Paolo Pompei	Katarina Olsson	Patrik Romberg
Position	Business Area President, Trelleborg Wheel Systems	Senior Vice President, General Counsel	Senior Vice President, Communications and Senior Vice President, Human Resources
Employed	1999	2022	2006
In current position since	2017	2022	2011
Born	1971	1971	1966
Nationality	Italian	Swedish	Swedish
Qualifications	B.Sc. in economics, M.Sc. in international trade	Master of Law	MBA and university studies in behavioral science and education
Other assignments		Board member of Golventreprenad Gruppen	
Professional experience	Business Unit President at the Trelleborg Group	General Counsel Beijer Ref and Senior Corporate Counsel ICA and Ericsson.	Various positions at the Trelleborg Group and Unilever
Shareholding 2022	–	1,500 shares	901 shares and 12,500 call options ¹

¹ 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.

PRINCIPLES FOR REMUNERATION

The following principles for remuneration of senior executives were adopted by the 2022 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 remuneration (annual variable salary and long-term incentive programs), pension provisions and other remuneration, which together form the individual's total remuneration package.
- » Trelleborg continuously gathers, evaluates and adapts 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 CEO as well as other members of Group Management. The principles are supplemented by a policy governing benefits for senior executives as well as a global Remuneration Policy covering all managers and senior salaried employees. In 2022, total remuneration of Group Management amounted to SEK 79,892,000 (69,927,000), excluding pension premiums, and SEK 91,039,000 (80,682,000), including pension premiums.

For additional information concerning remuneration, refer to Note 10, pages 81–82.

Remuneration report 2022

This report describes how the principles for remuneration of senior executives at Trelleborg, adopted by the 2022 Annual General Meeting, were implemented in 2022. The report has been prepared in accordance with the Swedish Companies Act and the remuneration rules issued by the Swedish Corporate Governance Board.

Scope, purpose and deviations

A prerequisite for the successful implementation of Trelleborg's business strategy and safeguarding of its long-term interests, including its sustainability strategy, is that Trelleborg is able to recruit and retain qualified personnel. To this end, it is necessary that Trelleborg offers market-based and competitive remuneration. Trelleborg's principles for remuneration of senior executives enable Trelleborg to offer executives a competitive total remuneration. Under these principles, executive remuneration shall be on market terms and may consist of the following components: fixed salary, variable salary (annual variable salary and long-term incentive programs), pension provisions and other benefits.

The variable remuneration shall be linked to predetermined and measurable criteria, which may be financial or non-financial. These may also be individualized, quantitative or qualitative objectives.

The principles, which were adopted unanimously by the 2022 Annual General Meeting, were fully implemented in 2022.

The auditor's report regarding Trelleborg's compliance with the principles for remuneration of senior executives is available under Corporate governance at www.trelleborg.com.

No remuneration was reclaimed or limited, nor did the company refrain from making any payment in 2022.

Share-based remuneration

Trelleborg does not have any long-term share-based incentive plans. It should be noted that Trelleborg's principal owner – the Henry Dunker Donation Fund & Foundations – offered Trelleborg Group Management call options in 2018 with a term of five years. Trelleborg did not participate in this offer and any expenses in connection herewith will therefore not be incurred for the Trelleborg Group. For more information regarding this incentive plan, including the criteria on which the outcome will be based, please refer to the section on Trelleborg Group Management on pages 56–57 of 2022 Annual Report.

Application of performance criteria

The performance criteria forming the basis for the President's variable remuneration have been selected to ensure delivery in line with Trelleborg's strategy and to encourage behavior that is in the long-term interests of Trelleborg. The strategic objectives and short and long-term business priorities for 2022 have been taken into account in the selection of performance measures. The performance criteria forming the basis for the one-year annual variable salary were Earnings before tax or Earnings before interest and tax (EBT or EBIT), Operating cash flow (OCF) and a sustainability target. The performance criteria for the three-year long-term incentive (LTI) program

was Earnings per share (EPS). All performance criteria exclude items affecting comparability.

Further information on executive remuneration

Further information on executive remuneration is available in Note 10 (Employees and personnel costs) on pages 81–82 of the 2022 Annual Report. Information on the work of the Remuneration Committee in 2022 is set out in the Corporate Governance Report, available on pages 43–47 of the 2022 Annual Report.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in Note 10 on page 82 of the 2022 Annual Report.

Information on key developments 2022

The President and CEO summarizes Trelleborg's overall performance in his statement on pages 4–7 of the 2022 Annual Report.

1 – TOTAL REMUNERATION OF THE PRESIDENT AND CEO

Table 1 below sets out the total remuneration expensed or paid to Trelleborg's President and CEO during 2022 and 2021.

SEK 000s	Year	Fixed remuneration		Variable remuneration		Extraordinary items	Pension costs	Total remuneration	Proportion of fixed and variable remuneration ¹
		Fixed salary	Other benefits	Annual variable salary	Long-term incentive program				
Peter Nilsson, President and CEO	2022	12,317	220	7,279	7,559		5,363	32,738	55/45
	2021	11,917	221	8,956	4,614		5,181	30,889	56/44

¹ Pension included in fixed remuneration.

2A – PERFORMANCE OF THE PRESIDENT AND CEO IN THE REPORTED FISCAL YEAR

Table 2A below describes how the criteria for variable short-term remuneration were expensed during the fiscal year.

Peter Nilsson, President and CEO	Remuneration components	Relative weighting of the performance criteria	a) Measured performance and b) actual award/remuneration outcome	
	Earnings before tax (EBT) ²	65%	a) EUR 618.8 M	b) SEK 4,918,000
	Operating cash flow (OCF) ²	25%	a) EUR 478.2 M	b) SEK 1,603,000
	Sustainability	10%	a) Full achievement	b) SEK 757,000

² Excluding items affecting comparability.

2B – PERFORMANCE OF THE PRESIDENT AND CEO IN THE REPORTED FISCAL YEAR

Table 2B below describes how the criteria for variable long-term remuneration were expensed during the fiscal year.

Peter Nilsson, President and CEO	Remuneration components	Relative weighting of the performance criteria	a) Measured performance and b) actual award/remuneration outcome	
	Earnings per share (EPS) ³ 2022 (Program 2020–2022)	33.3%	a) SEK 18.31	b) SEK 2,520,000
	Earnings per share (EPS) ³ 2022 (Program 2021–2023)	33.3%	a) SEK 18.31	b) SEK 2,520,000
	Earnings per share (EPS) ³ 2022 (Program 2022–2024)	33.3%	a) SEK 18.31	b) SEK 2,520,000

³ Excluding items affecting comparability.

3 – COMPARATIVE INFORMATION ON CHANGE IN REMUNERATION AND TRELLEBORG PERFORMANCE

Table 3 – Changes in remuneration and Trelleborg performance over the last five reported fiscal years.

Annual change	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	2022
Executive remuneration					
Peter Nilsson, President and CEO, SEK 000s	-5,285 (-19.0%)	-3,860 (-17.2%)	+12,257 (65.7%)	+1,849 (6.0%)	32,738
Trelleborg's performance					
Earnings before interest and tax (EBIT) ⁴ , SEK M	-36 (-0.8%)	-376 (-8.1%)	+1,023 (23.9%)	+2,197 (41.4%)	6,973
Earnings per share (EPS) ⁴ , SEK	-0.45 (-3.7%)	-1.0 (-8.4%)	+3.36 (30.8%)	+4.06 (28.5%)	18.31
Employee remuneration					
Average total remuneration on a full-time-equivalent basis of employees of Trelleborg AB, excluding Group Management, SEK 000s	+17 (1.5%)	-64 (-5.6%)	-90 (-8.3%)	-35 (3.5%)	957
Development of gap between the remuneration of senior executives and remuneration of employees of Trelleborg AB, excluding Group Management, %	-2.89	-1.17	7.01	1.25	

⁴ Excluding items affecting comparability.

Principles for remuneration of senior executives

The following principles were resolved by the 2022 Annual General Meeting. The can be found together with other information on remuneration at www.trelleborg.com.

Principles for remuneration of senior executives

Senior executives, including the President and other members of Group Management, fall within the scope of these principles. The principles are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the principles by the 2022 Annual General Meeting. These principles do not apply to any remuneration decided on or approved by the Annual General Meeting.

Trelleborg is a world leader in engineered polymer solutions that seal, damp and protect critical applications in demanding environments. Trelleborg's strategy of securing leading positions in selected segments is supported by four strategic cornerstones: Geographical balance, Portfolio optimization, Structural improvements and Excellence. These ensure that all levels within the Group maintain focus and conduct activities that are in line with the strategy. For more information regarding Trelleborg's business strategy, please see the Group's strategy for leading positions at www.trelleborg.com.

A prerequisite for the successful implementation of Trelleborg's business strategy and safeguarding of its long-term interests, including its sustainability, is that Trelleborg is able to recruit, develop and retain qualified senior executives. To this end, it is necessary that Trelleborg offers market-aligned and competitive remuneration. These principles enable Trelleborg to offer senior executives a competitive total remuneration. The aim of all variable cash remuneration covered by these principles is to promote Trelleborg's business strategy and long-term interests, including its sustainability.

Types of remuneration

Remuneration is to be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the Annual General Meeting may – irrespective of these principles – resolve on, among other items, share-based or share-price-based remuneration.

The satisfaction of criteria for awarding variable cash remuneration is to be measured over a period of one (annual variable salary) or several years (long-term incentive programs). For senior executives, including the President:

- » the annual variable salary may amount to not more than 100 percent of the total fixed cash salary during the measurement period.
- » the long-term incentive programs may amount to not more than 100 percent of the maximum annual variable salary during the measurement period.

Variable cash remuneration will only qualify for pension benefits to the extent required by mandatory collective agreement provisions or otherwise stated by local law.

For the President, pension benefits, including health insurance, are to be defined contribution. Variable cash remuneration does not qualify for pension benefits. The pension premiums for defined contribution pension are to amount to not more than 45 percent of the fixed annual cash salary. For other senior executives, pension benefits, including health insurance, are to be defined contribution unless the individual concerned is subject to defined benefit pension under mandatory collective agreement provisions or otherwise stated by local law. The pension premiums for defined contribution pension are to amount to not more than 35 percent of the fixed annual cash salary.

Other benefits may include, for example, life insurance, healthcare insurance and company cars. Premiums and other costs relating to such benefits may amount to not more than 15 percent of the fixed annual cash salary.

For employment contracts governed by legislation outside of Sweden, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these principles.

Trelleborg does not have any long-term share-based incentive plans. Such plans must be resolved by the Annual General Meeting and are therefore excluded from these principles.

Criteria for awarding variable cash remuneration

The variable cash remuneration is to be linked to predetermined and measurable criteria of a financial or non-financial nature. They may also be individualized, quantitative or qualitative objectives. The criteria are to be designed so that they contribute to Trelleborg's business strategy and long-term interests, including its sustainability by, for example, being clearly linked to the business results or promoting the senior executive's long-term development.

The extent to which the criteria for awarding variable cash remuneration have been fulfilled is to be evaluated/determined when the measurement period has ended. The Remuneration Committee is responsible for evaluating variable remuneration to the President, and subsequently to be approved by the Board of Directors. For variable cash remuneration to other senior executives, the President is responsible for the evaluation and subsequently to be approved by the Remuneration Committee, in accordance with the grandparent principle. For financial objectives, the evaluation is to be based on the latest financial information published by the Trelleborg Group.

Right to withhold or reclaim remuneration

Terms and conditions for variable remuneration are to be designed so that the Board of Directors (i) has the right to limit or refrain from payment of variable remuneration if exceptional economic circumstances occur and if such a measure is considered reasonable, and (ii) has the right to withhold or reclaim variable remuneration paid to an executive based on results that afterwards were found to have been misstated because of wrongdoing or malpractice (so called malus and claw back).

The Board of Directors may, at its discretion, limit or refrain from payment of the individual variable salary if a senior executive, including the President, has breached or neglected Trelleborg's Code of Conduct and/or Trelleborg's sustainability commitments as a responsible corporate citizen, including environmental, social and governance factors.

Termination of employment

The notice period may not exceed 24 months if an employment is terminated by the company. Under such notice period all employment conditions will apply, unless otherwise expressly agreed between the company and the employee. Fixed cash salary during the notice period may not exceed the fixed cash salary for 24 months. Any agreement specifying the terms of termination need to be cost neutral to the company. The notice period may not exceed six months, without any right to severance pay, should a senior executive terminate the employment.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration principles, current salary and employment conditions for employees of Trelleborg have been taken into account. Information on the employees' total income, the components of the remuneration, and its increase and growth rate over time, has been evaluated. Thereafter, the Remuneration Committee and the Board of Directors decide whether the principles and the limitations set out herein are reasonable.

Decision-making process to determine, review and implement the principles

The Board of Directors has established a Remuneration Committee. The Committee's tasks include preparing the Board of Directors' decision to propose principles for executive remuneration. The Board of Directors is to prepare a proposal for new principles at least every fourth year and submit such proposal to the Annual General Meeting. The principles shall apply until new principles are adopted by the

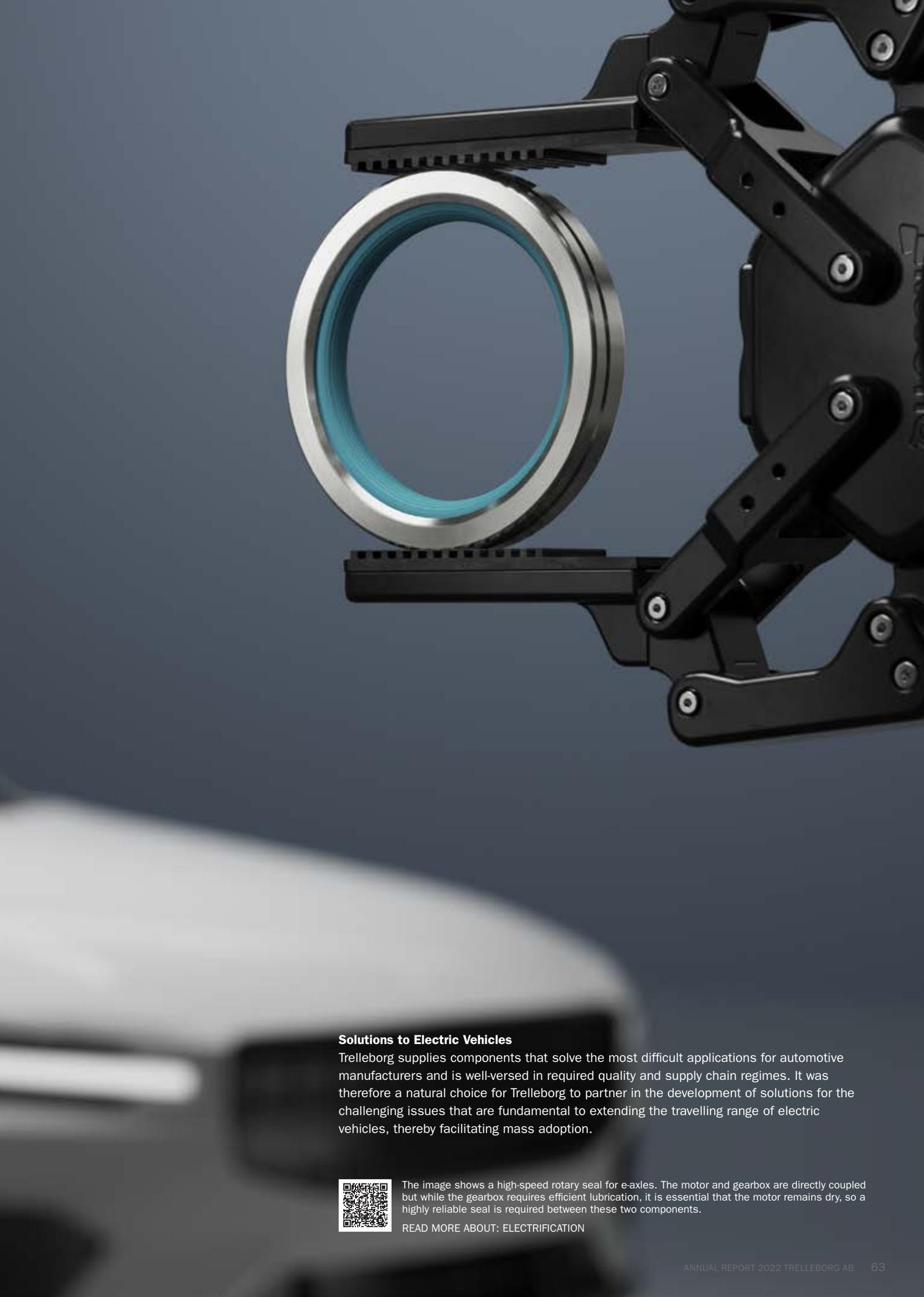
Annual General Meeting. The Remuneration Committee is also to monitor and evaluate programs for variable remuneration for senior executives, the application of the principles for senior executive remuneration as well as the current remuneration structures and levels in Trelleborg. The members of the Remuneration Committee are independent from Trelleborg and its senior executives. The President and other members of senior executives do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by the same.

Derogation from the principles

The Board of Directors may temporarily resolve to derogate from the principles, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve Trelleborg's long-term interests, including its sustainability, or to ensure Trelleborg's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolution in remuneration-related matters. This includes any resolution to derogate from the principles.

FINANCIAL INFORMATION





Solutions to Electric Vehicles

Trelleborg supplies components that solve the most difficult applications for automotive manufacturers and is well-versed in required quality and supply chain regimes. It was therefore a natural choice for Trelleborg to partner in the development of solutions for the challenging issues that are fundamental to extending the travelling range of electric vehicles, thereby facilitating mass adoption.



The image shows a high-speed rotary seal for e-axes. 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.

[READ MORE ABOUT: ELECTRIFICATION](#)

Comments on the consolidated income statements

Trelleborg's performance was strong in 2022 despite the continuing turbulence in the external environment. The Group reported a record in terms of net sales, operating profit, operating margin, and earnings per share.

Net sales for continuing operations increased 27 percent during the year compared with 2021. The trend was positive for most of the Group's industries compared with the preceding year. The order book remained strong at the end of the year, although with a slightly lower order intake in the latter part of the year. In 2022, the Group was impacted by continued challenges in the form of higher prices for raw materials and energy costs. Nonetheless, both sales and earnings were the highest ever for the Group. Two historic decisions were taken during the year: the divestment of the Group's tire operation, Trelleborg Wheel Systems, and the acquisition of Minnesota Rubber & Plastics.

CONTINUING OPERATIONS

Net sales

Sales for the Group's continuing operations increased by 27 percent during the year and amounted to SEK 30,095 M (23,789). The organic sales increase was SEK 3,455 M, corresponding to 14 percent. Effects of structural changes totaled SEK 815 M or 3 percent. Exchange rate effects upon translation of sales in 2021 to the exchange rates applying for 2022 amounted to SEK 2,036 M, an increase of 10 percent. Both of the Group's business areas reported positive organic sales growth during the year.

The distribution of net sales between various industries was relatively constant compared with the preceding year. The share of consolidated net sales attributable to general industry declined slightly during the year and amounted to 67 percent (69). Sales related to the automotive industry amounted to 16 percent (16) and sales related to healthcare & medical were 8 percent (7). Sales to the aerospace industry were 9 percent (8).

The Trelleborg Industrial Solutions business area conducts operations in several of the Group's industries. Organic sales for the full year increased 18 percent year on year. The sales trend was strong in all major geographic regions. All industries reported double-digit organic sales growth. The order book remained strong at the end of the year, although with a slightly lower order intake during the fourth quarter.

For the Trelleborg Sealing Solutions business area, organic sales increased by 10 percent compared with the preceding year. Acquisitions contributed a 5-percent increase in sales. Sales to all geographic regions were positive. North America performed the most favorably, while sales in Asia were limited by Covid restrictions in China for most of the year as well as a virulent outbreak of the virus at the end of the year when restrictions were eased. Sales to all industries performed positively, where deliveries to the aerospace industry and healthcare & medical stood out with highly robust growth.

Net sales per market

Organic sales increased 14 percent compared with 2021. In Germany, sales increased 8 percent organically. In Italy, Sweden and the UK, the increase was higher than the average for Europe as a whole, while it was lower in France. Organic sales in both the Group's largest market, the US, and the Canadian market increased 21 percent. Sales in Mexico increased 25 percent organically compared with the preceding year, while sales in Brazil rose 16 percent. In China, the Group's most important market in Asia, sales were impacted by repeated lockdowns and declined 6 percent organically. In Australia, sales increased 10 percent, in Japan sales rose 21 percent and in South Korea the increase was 17 percent. In total, sales increased organically by 10 percent in Europe, 21 percent in North and South America, and 11 percent in Asia and other markets.

In total, Europe accounted for 46 percent (51) of consolidated net sales. The share for North and South America was 33 percent (28), while the combined share for the markets in Asia and Rest of the World was 21 percent (21).

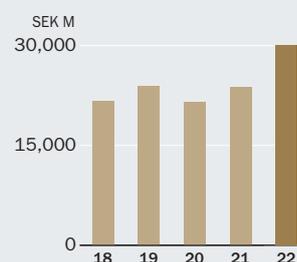
NET SALES PER GEOGRAPHIC MARKET

SEK M	2022		2021	
	Net sales	Share of total sales, %	Net sales	Share of total sales, %
Europe	13,975	46	12,057	51
North and South America	9,794	33	6,597	28
Asia and Other markets	6,326	21	5,135	21
Continuing operations	30,095	100	23,789	100

NET SALES BY BUSINESS AREA

SEK M	2022	2021	Organic change, %	Structural change, %	Exchange rate change, %	Total change, %
Trelleborg Industrial Solutions	13,998	10,953	18	2	8	28
Trelleborg Sealing Solutions	15,662	12,480	10	5	10	25
Group activities/Eliminations	435	356				
Continuing operations	30,095	23,789	14	3	10	27

NET SALES



CONSOLIDATED INCOME STATEMENTS

SEK M	Note	2022	2021
Net sales	2	30,095	23,789
Cost of goods sold		-19,341	-15,232
Gross profit		10,754	8,557
Selling expenses		-2,242	-1,890
Administrative expenses		-2,808	-2,328
R&D costs		-554	-432
Other operating income	6	295	265
Other operating expenses	6	-384	-269
Share of profit or loss in associated companies	12	5	0
EBIT, excluding items affecting comparability		5,066	3,903
Items affecting comparability	5	-241	-83
EBIT	4, 7, 10	4,825	3,820
Financial income	8	199	132
Financial expenses	8	-429	-272
Profit before tax		4,595	3,680
Income tax	9	-1,166	-971
Net profit, continuing operations		3,429	2,709
Net profit, discontinuing operations	25	1,828	1,007
Net profit, Group		5,257	3,716
– shareholders of the Parent Company		5,260	3,717
– non-controlling interests		-3	-1

EARNINGS PER SHARE¹, SEK

Continuing operations	13.01	10.00
Discontinuing operations	6.93	3.72
Group, total	19.94	13.72
Group, excluding items affecting comparability	20.81	14.24
Continuing operations, excluding items affecting comparability	13.80	10.26

¹ There were no dilutive effects.

NUMBER OF SHARES, DIVIDEND

On the balance sheet date	271,071,783	271,071,783
of which, in treasury	13,691,970	–
Average	263,885,220	271,071,783
Dividend, SEK ²	6.00	5.50

² As proposed by the Board of Directors.

STATEMENTS OF COMPREHENSIVE INCOME

SEK M	2022	2021
Net profit, Group	5,257	3,716
Other comprehensive income		
Items that will not be reclassified to the income statement		
Reassessment of net pension obligation	145	66
Income tax relating to components of other comprehensive income	-32	-10
Total	113	56
Items that may be reclassified to the income statement		
Cash-flow hedging ³	408	121
Hedging of net investment	-966	-303
Translation differences	3,774	1,758
Income tax relating to components of other comprehensive income	112	52
Total	3,328	1,628
Other comprehensive income, net of tax	3,441	1,684
Total comprehensive income	8,698	5,400
<i>Total comprehensive income attributable to:</i>		
Shareholders of the Parent Company	8,701	5,401
Non-controlling interests	-3	-1

³ See also Note 29.

ORGANIC GROWTH

	Organic growth 2022, %	Organic growth 2021, %
Europe	10	14
North and South America	21	10
Asia and Other markets	11	22
Continuing operations	14	15

EBITA and EBIT

EBITA, excluding items affecting comparability, increased compared with the preceding year and amounted to SEK 5,382 M (4,134). The EBITA margin was 17.9 percent (17.4). Amortization and impairment of intangible assets, excluding items affecting comparability, amounted to SEK -316 M (-231).

Consolidated EBIT, excluding items affecting comparability, amounted to SEK 5,066 M (3,903), up 30 percent. Both business areas reported a positive performance compared with 2021, with Trelleborg Industrial Solutions increasing its EBIT by 42 percent and Trelleborg Sealing Solutions by 22 percent. Earnings for Group activities were burdened by higher costs linked to mainly increased M&A activities. 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, leadership 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 to common exchange rates – amounted to SEK 279 M, with the largest positive impact from the translation of subsidiaries with financial statements in USD, CNY and EUR.

The EBIT margin, excluding items affecting comparability, amounted to 16.8 percent (16.4).

EBIT SPECIFICATION

SEK M	2022	2021
<i>Excluding items affecting comparability:</i>		
EBITDA	6,475	5,107
Depreciation/impairment of tangible assets	-1,093	-973
EBITA	5,382	4,134
Amortization/impairment of intangible assets	-316	-231
EBIT	5,066	3,903
Items affecting comparability	-241	-83
EBIT, continuing operations	4,825	3,820

EBIT, EXCLUDING ITEMS AFFECTING COMPARABILITY

SEK M	2022	2021
Trelleborg Industrial Solutions	1,928	1,360
Trelleborg Sealing Solutions	3,491	2,865
Group activities	-353	-322
Continuing operations	5,066	3,903

EBIT and the EBIT margin for the Trelleborg Industrial Solutions business area increased year on year, and both sales and EBIT reached their highest level to date. Generally effective cost control and active price adjustments for customers offset increasing costs during the year. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 82 M on EBIT compared with the preceding year.

EBIT for the Trelleborg Sealing Solutions business area increased as the result of volume growth, price adjustments in relation to customers and completed acquisitions. The EBIT margin declined, due primarily to

completed acquisitions. The effect of rising purchasing prices for energy and input goods, as well as general inflation, was balanced out by price adjustments for customers and efficiency improvements. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 221 M on EBIT compared with the preceding year. The acquisition of Minnesota Rubber & Plastics, with annual sales of around SEK 2,250 M, was consolidated as of October 27, 2022 and was therefore included in the accounts for two months of 2022. Depreciation after completion of the purchase price allocation (PPA) totaled SEK 37 M for two months of 2022. Initially, the EBIT margin in the business area will be diluted somewhat. The acquisition will generate significant synergies, which will be gradually implemented over the next two to three years. After realized synergies, the business area's margin is estimated to return to previous levels.

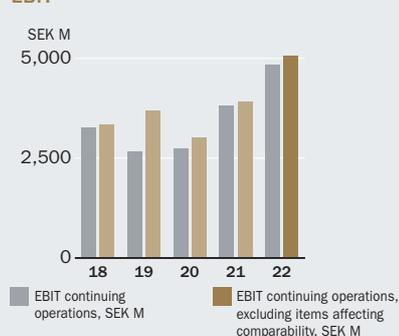
Items affecting comparability

Items affecting comparability totaled SEK -241 M (-83) and pertained to restructuring costs of SEK -381 M (-260) and capital gains from the sale of assets totaling SEK 140 M (177). The largest restructuring projects in 2022 related primarily to the action program to optimize production capacity in Trelleborg Industrial Solutions. EBIT for continuing operations, including items affecting comparability, amounted to SEK 4,825 M (3,820).

Financial income and expenses, taxes

Financial income and expenses amounted to SEK -230 M (-140). The higher financial expenses were primarily due to generally higher interest rates and effects linked to the acquisition of Minnesota Rubber & Plastics. The acquisition was financed primarily by a short-term loan that will be repaid when the proceeds are received from the ongoing sale of the Group's tire operation. Profit before tax totaled SEK 4,595 M (3,680). The tax expense for the year totaled SEK -1,166 M (-971), corresponding to a tax rate of 25 percent (26). Net profit was SEK 3,429 M (2,709). Earnings per share for continuing operations, excluding items affecting comparability, totaled SEK 13.80 (10.26).

EBIT



DISCONTINUING OPERATIONS

The Group's tire and printing blanket operations were reported in 2022 as discontinuing operations, assets held for sale.

Group's tire operation

The Group signed an agreement in March 2022 to divest the business area Trelleborg Wheel Systems to Yokohama Rubber Company for EUR 2,100 M on a cash and debt-free basis. Less than 3 percent of the purchase consideration is subject to Trelleborg Wheel Systems' development in 2022. The divestment is expected to be finalized during the first half of 2023.

For Trelleborg Wheel Systems, organic sales increased by 20 percent compared with the preceding year. Sales increased in all major regions, particularly North and South America. The organic sales trend for tires for agricultural machinery, material handling vehicles and off-highway vehicles was positive in all cases. EBIT and the EBIT margin improved, primarily as a result of price adjustments and increased sales to OE manufacturers. These offset increased raw materials and energy costs. The positive trend was particularly noticeable in North and South America. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 11 M on EBIT compared with the preceding year.

Group's printing blanket operation

As of the first quarter of 2021, the Group's printing blanket operation has been reported as assets and liabilities held for sale and discontinuing operations. In the fourth quarter of 2021, an agreement was signed to divest the operations to Continental. The buyer has received the requisite approvals of all of the relevant authorities. Some formalities remain and the transaction is expected to be finalized during the first quarter of 2023.

In accordance with IFRS 5, EBIT was positively impacted by SEK 490 M for the full-year 2022 since depreciation of assets held for sale, largely attributable to Trelleborg Wheel Systems, was discontinued.

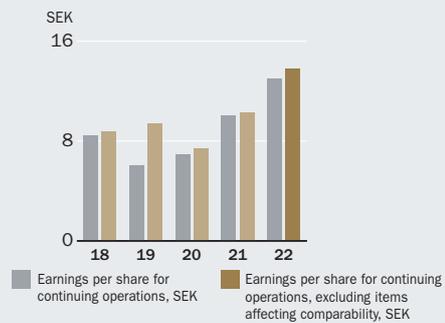
Net profit for discontinuing operations totaled SEK 1,828 M (1,007).

Refer also to Notes 1 and 25 and pages 34–35 for further information about discontinuing operations.

GROUP

Net profit for the Group totaled SEK 5,257 M (3,716). Earnings per share were SEK 19.94 (13.72).

EARNINGS PER SHARE



Key figures per quarter

NET SALES

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2022	2021	2022	2021	2022	2021	2022	2021
Trelleborg Industrial Solutions	3,323	2,581	3,512	2,833	3,472	2,708	3,691	2,831
Trelleborg Sealing Solutions	3,664	3,133	3,725	3,155	3,970	3,086	4,303	3,106
Group activities	169	159	171	170	141	134	169	137
Elimination	-61	-51	-57	-79	-47	-56	-50	-58
Continuing operations	7,095	5,822	7,351	6,079	7,536	5,872	8,113	6,016
Discontinuing operations	3,706	2,995	3,677	3,090	3,491	2,806	3,741	3,070
Elimination	-18	-44	-19	-40	-16	-30	-20	-13
Group	10,783	8,773	11,009	9,129	11,011	8,648	11,834	9,073

EBIT, EXCLUDING ITEMS AFFECTING COMPARABILITY

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2022	2021	2022	2021	2022	2021	2022	2021
Trelleborg Industrial Solutions	441	308	528	360	476	326	483	366
Trelleborg Sealing Solutions	878	734	879	755	884	720	850	656
Group activities	-89	-60	-88	-79	-82	-89	-94	-94
Continuing operations	1,230	982	1,319	1,036	1,278	957	1,239	928
Discontinuing operations	585	398	694	381	514	288	642	334
Group	1,815	1,380	2,013	1,417	1,792	1,245	1,881	1,262

Comments on the consolidated balance sheets

CAPITAL EMPLOYED

SEK M	2022
Opening balance, capital employed, continuing operations	26,557
Change in working capital	1,095
Net change in non-current assets	485
Change in participations in joint ventures/associated companies	50
Structural changes	10,493
Exchange rate effects upon translation of foreign subsidiaries	2,629
Change in capital employed, 2022	14,752
Closing balance, capital employed, continuing operations	41,309

The Group's total capital employed for continuing operations was SEK 41,309 M (26,557), representing an increase of SEK 14,752 M. The change in working capital during the year, excluding acquisitions and exchange rate effects, was SEK 1,095 M.

The net change related to the year's investments, depreciation, amortization, and impairment of property, plant and equipment and intangible assets, including right-of-use assets, amounted to SEK 485 M, excluding exchange rate effects.

Participations in associated companies increased SEK 50 M.

Structural changes due to the effects of units acquired during the year increased capital employed by SEK 10,493 M, largely attributable to the acquisition of Minnesota Rubber & Plastics.

Exchange rate effects increased total capital employed by SEK 2,629 M net during the year.

SPECIFICATION OF CAPITAL EMPLOYED ¹

SEK M	2022	2021
Working capital	5,591	3,610
Property, plant and equipment	7,589	5,934
Right-of-use assets	1,507	1,445
Intangible assets	26,561	15,558
Participations in joint ventures/associated companies	61	10
Continuing operations	41,309	26,557
Assets and liabilities held for sale, discontinuing operations	17,935	15,689
Group	59,244	42,246

¹ The table shows comparable units concerning both continuing operations and assets and liabilities held for sale.

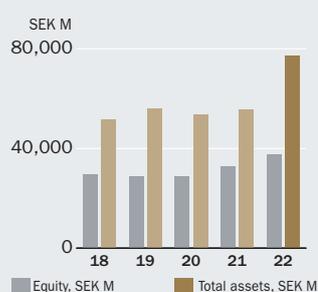
The Group's tire and printing blanket businesses were reported in 2022 as discontinuing operations, assets held for sale, refer also to page 67.

RETURN ON CAPITAL EMPLOYED, %

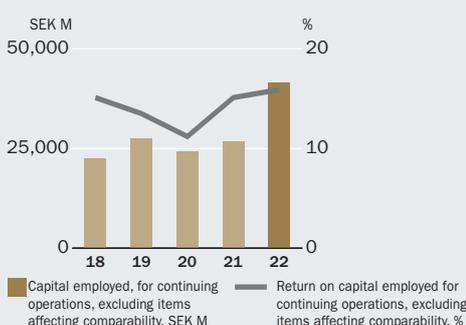
	2022	2021
Excluding items affecting comparability	15.9	15.1
Including items affecting comparability	15.3	14.9

The return on capital employed for continuing operations, excluding items affecting comparability, was 15.9 percent (15.1).

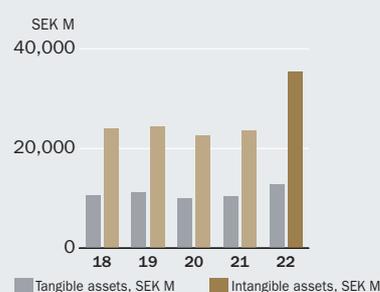
CAPITAL STRUCTURE



CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED



TANGIBLE AND INTANGIBLE ASSETS



CONSOLIDATED BALANCE SHEETS

December 31, SEK M	Note	2022	2021
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	15	7,589	10,000
Right-of-use assets	16	1,507	1,864
Goodwill	17	20,818	18,792
Other intangible assets	17	5,744	4,390
Participations in associated companies	12	61	60
Financial non-current assets	13, 22, 27, 32	456	42
Deferred tax assets	9	543	594
Total non-current assets		36,718	35,742
<i>Current assets</i>			
Inventories	18	5,463	6,395
Current operating receivables	19, 20, 22	6,620	7,093
Current tax assets		1,068	1,013
Interest-bearing receivables	28	429	114
Cash and cash equivalents	26	3,924	3,460
Total current assets		17,504	18,075
Assets held for sale	25	22,844	1,823
TOTAL ASSETS		77,066	55,640
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	29	2,620	2,620
Other capital contributions		226	226
Other reserves		5,339	2,011
Profit brought forward		24,037	24,416
Net profit for the year		5,260	3,717
Total		37,482	32,990
Non-controlling interests		6	8
Total equity		37,488	32,998
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	30	9,029	9,666
Other non-current liabilities	22, 23	86	202
Pension obligations	11	352	525
Other provisions	24	288	152
Deferred tax liabilities	9	910	926
Total non-current liabilities		10,665	11,471
<i>Current liabilities</i>			
Interest-bearing current liabilities	30	16,124	1,738
Current tax liability		1,360	1,309
Other current liabilities	21, 22, 23	6,045	7,162
Other provisions	24	361	380
Total current liabilities		23,890	10,589
Liabilities held for sale	25	5,023	582
TOTAL EQUITY AND LIABILITIES		77,066	55,640

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		2022	2021	2022	2021
	2022	2021	2022	2021	2022	2021	2022	2021				
SEK M												
Opening balance, January 1	2,620	2,620	226	226	2,011	382	28,133	25,717	8	8	32,998	28,953
Net profit for the year	-	-	-	-	-	-	5,260	3,717	-3	-1	5,257	3,716
Other comprehensive income	-	-	-	-	3,328	1,629	112	54	1	1	3,441	1,684
Repurchase of own shares	-	-	-	-	-	-	-3,079	-	-	-	-3,079	-
Dividend	-	-	-	-	-	-	-1,481	-1,355	-	-	-1,481	-1,355
Effects of IAS 29 ¹	-	-	-	-	-	-	352	-	-	-	352	-
Closing balance, December 31	2,620	2,620	226	226	5,339	2,011	29,297	28,133	6	8	37,488	32,998

¹ Relates to hyperinflation accounting for operation in Türkiye, refer also to Notes 1, 9, 15 and 17.

For other reserves, refer to Note 29.

NET DEBT, GROUP ¹

SEK M	2022	2021
Non-current interest-bearing investments and receivables	47	0
Current interest-bearing receivables	429	114
Cash and cash equivalents	4,759	3,497
Total interest-bearing assets	5,235	3,611
Interest-bearing non-current liabilities	-9,452	-9,685
Pension liabilities ²	-438	-548
Interest-bearing current liabilities	-16,242	-1,745
Total interest-bearing liabilities	-26,132	-11,978
Net debt	-20,897	-8,367
<i>Change in net debt:</i>		
Net debt at January 1	-8,367	-10,026
Operating cash flow	5,204	4,569
Cash-flow effect of items affecting comparability	-306	-98
Financial items	-150	-199
Tax paid	-1,443	-962
Free cash flow	3,305	3,310
Acquisitions	-11,199	-573
Divested operations	149	616
Capital contribution to associated companies	-17	-29
Dividend paid – shareholders of the Parent Company	-1,481	-1,355
Repurchase of own shares	-3,079	-
Net cash flow	-12,322	1,969
Exchange rate differences	-518	-446
Lease liabilities ³	146	70
Pension liabilities ³	164	66
Net debt at year end	-20,897	-8,367
<i>Of which:</i>		
Pension liabilities ²	-438	-548
Lease liabilities	-2,215	-2,102
Net debt excluding impact of lease and pension liabilities	-18,244	-5,717
Debt/equity ratio, %		
Group	56	25
Net debt/EBITDA ⁴		
Group	2.4	1.2
<i>Group</i>		
EBITDA/net interest income, multiples	29.0	29.6
Return on shareholders' equity, %	14.9	12.0

¹ Net debt relates to the Group, including both continuing operations and assets and liabilities held for sale.

² Pension liabilities are shown net, after deduction of SEK 20 M for pension assets.

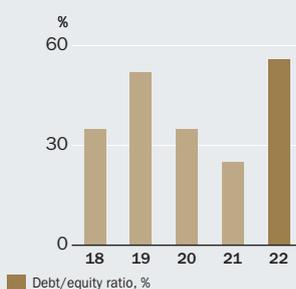
³ Relates to non-cash items.

⁴ EBITDA, including items affecting comparability.

NET DEBT ⁵



DEBT/EQUITY RATIO ⁵



EQUITY AND RETURN ON SHAREHOLDERS' EQUITY



⁵ As of 2019, lease liabilities are included in net debt.

Net debt and financing

Net debt at the beginning of 2022 amounted to SEK -8,367 M.

During the year, net debt was impacted by free cash flow for the year of SEK 3,305 M (3,310). Net cash flow amounted to SEK -12,322 M (1,969). Net cash flow for the period was impacted by effects from acquisitions of SEK -11,199 M (-573), linked primarily to Minnesota Rubber & Plastics, effects from divested operations of SEK 149 M (616), dividends to shareholders of the Parent Company of SEK -1,481 M (-1,355), and the repurchase of own shares of SEK -3,079 M (-). Closing net debt at year-end was SEK -20,897 M.

The debt/equity ratio at the end of the period was 56 percent (25). Net debt in relation to EBITDA for the Group was 2.4 (1.2) at the end of the period.

Trelleborg's credit facilities

Trelleborg's core EUR 412 M and USD 572 M syndicated multicurrency revolving credit facility matures in February 2026.

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 September 2022, a bank loan was raised in the form of a bridging loan for USD 950 M to finance the acquisition of Minnesota Rubber & Plastics. The loan matures in conjunction with completion of the sale of Trelleborg Wheel Systems, alternatively in September 2023. The loan also has a one-year extension option.

Equity

Shareholders' equity for the Group at the close of the period amounted to SEK 37,488 M (32,998), positively impacted by earnings for the period of SEK 5,257 M. Effects of translation differences, cash-flow hedging, and the hedging of net investments increased total equity by a net amount of SEK 3,328 M. Effects of the restatement of the net pension obligation under IAS 19 Employee Benefits was SEK 113 M after tax. The dividend for the year to shareholders amounted to SEK 1,481 M (1,355), and reduced equity as did the repurchase of own shares of SEK 3,079 M in 2022. At the end of the year, 13,691,970 Series B shares in Trelleborg had been repurchased, corresponding to 5.1 percent of the number of shares outstanding. Effects of hyperinflation accounting in Türkiye, in accordance with IAS 29, impacted equity in an amount of SEK 352 M.

Equity per share amounted to SEK 146 (122). The equity/assets ratio was 49 percent (59). The return on shareholders' equity for the Group, excluding items affecting comparability, totaled 15.6 percent (12.5) in 2022.

The return on shareholders' equity for the Group, including items affecting comparability, amounted to 14.9 percent (12.0).

Comments on the consolidated cash-flow statements

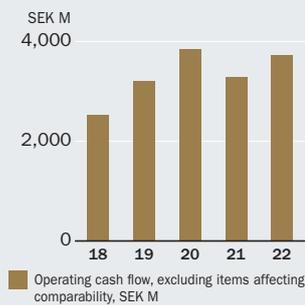
Operating cash flow for continuing operations amounted to SEK 3,732 M (3,298). Cash flow was positively affected by the higher earnings generation. The rate of investment was higher than in the preceding year, and amounted to SEK 1,298 M (1,045), an increase of 24 percent. A higher sales rate compared with 2021 increased working capital with an impact on cash flow of SEK –1,157 M (–551). The cash conversion ratio for the year was 74 percent (85).

Operating cash flow from discontinuing operations amounted to SEK 1,472 M (1,271). During the year, payments related to items affecting comparability amounted to SEK –306 M (–98). After deductions for financial

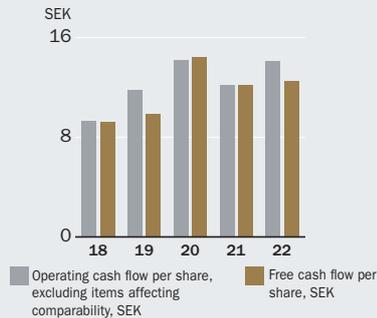
items, SEK –150 M (–199), and taxes paid of SEK –1,443 M (–962), free cash flow amounted to SEK 3,305 M (3,310), corresponding to SEK 12.52 per share (12.21).

In 2022, five acquisitions took place that impacted net cash flow for the year by SEK –11,199 M (–573). The effects of the year's divestments amounted to SEK 149 M (616). A capital contribution to associated companies of SEK –17 M (–29) was paid. The dividend to shareholders amounted to SEK –1,481 M (–1,355) and the repurchase of own shares for the year was SEK –3,079 M (–). Net cash flow amounted to SEK –12,322 M (1,969).

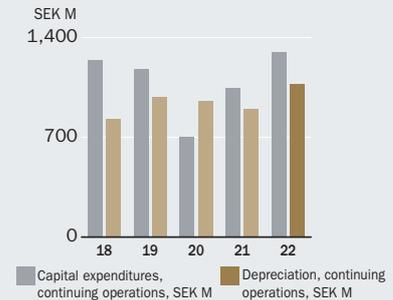
OPERATING CASH FLOW



CASH FLOW PER SHARE



CAPITAL EXPENDITURES¹ AND DEPRECIATION



¹ Excluding right-of-use assets.

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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Trelleborg Industrial Solutions	2,520	1,893	-387	-366	14	2	-118	-109	-470	-92	-	-	35	38	1,594	1,366
Trelleborg Sealing Solutions	4,258	3,495	-869	-637	13	5	-198	-182	-744	-402	0	1	38	39	2,498	2,319
Group activities	-303	-281	-42	-42	24	107	-6	-12	57	-57	-	-	-90	-102	-360	-387
Continuing operations	6,475	5,107	-1,298	-1,045	51	114	-322	-303	-1,157	-551	0	1	-17	-25	3,732	3,298
Discontinuing operations	2,569	1,938	-478	-425	49	80	-116	-109	-541	-267	-	-	-11	54	1,472	1,271
Group	9,044	7,045	-1,776	-1,470	100	194	-438	-412	-1,698	-818	0	1	-28	29	5,204	4,569
Cash-flow effect of items affecting comparability															-306	-98
Financial items															-150	-199
Tax paid															-1,443	-962
Free cash flow															3,305	3,310
Acquisitions															-11,199	-573
Divested operations															149	616
Capital contributions															-17	-29
Dividend paid – shareholders of the Parent Company															-1,481	-1,355
Repurchase of own shares															-3,079	-
Total net cash flow															-12,322	1,969

CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES, GROUP

SEK M	2021	Transfer between long-term and short-term loans	Cash changes	Non-cash changes					2022
				Acquisitions	Translation differences	Fair value changes	Lease liabilities	Pension obligations	
Long-term loans	7,964	-1,263	418	-	553	-	-	-	7,672
Current loans	1,098	1,263	13,708	-	-588	-	-	-	15,481
Other non-current financial liabilities	2	-	-1	-	0	-	-	-	1
Other current financial liabilities	264	-	-358	-	419	-	-	-	325
Lease liabilities	2,102	-	-375	-	193	-	295	-	2,215
Pension obligations	549	-	33	-	41	-	-	-165	458
Total liabilities from financing activities	11,979	-	13,425	-	618	-	295	-165	26,152

CONSOLIDATED CASH-FLOW STATEMENTS

SEK M	Note	2022	2021
Operating activities			
EBIT including participations in associated companies		4,825	3,820
Adjustment for items not included in operating cash flow:			
Depreciation of property, plant, and equipment	15	760	664
Depreciation of right-of-use assets	16	323	309
Amortization of intangible assets	17	316	231
Impairment of property, plant, and equipment	15, 16	10	45
Impairment of intangible assets	17	-	14
Dividend from associated companies		1	1
Participations in associated companies and other non-cash items		-15	-23
Capital loss/gain on divested operations		-140	-
Interest received		254	123
Interest paid		-390	-271
Other financial items		31	8
Tax paid		-984	-787
Cash flow from operating activities before changes in working capital		4,991	4,134
Cash flow from changes in working capital			
Change in inventories		-694	-762
Change in operating receivables		-461	-522
Change in operating liabilities		81	802
Cash flow from operating activities		3,917	3,652
Investing activities			
Acquired units	14	-11,199	-573
Divested/discontinuing operations		149	-
Capital contribution to associated companies		-16	-29
Gross capital expenditures for property, plant, and equipment	15	-1,186	-951
Gross capital expenditures for intangible assets	17	-112	-94
Sale of non-current assets		57	114
Cash flow from investing activities		-12,307	-1,533
Financing activities			
New/utilized loans		16,706	1,813
Amortized loans		-12,403	-6,913
Amortized lease liabilities		-322	-303
Repurchase of own shares		-3,079	-
Dividend paid – shareholders of the Parent Company		-1,481	-1,355
Cash flow from financing activities	30	-579	-6,758
Total cash flow from continuing operations		-8,969	-4,639
Total cash flow from discontinuing operations	25	10,121	2,239
Cash flow for the period, Group		1,152	-2,400
Cash and cash equivalents			
Opening balance, January 1		3,496	5,756
Cash and cash equivalents held for sale	25	-835	-36
Exchange rate differences		111	140
Cash and cash equivalents, December 31	26	3,924	3,460

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.

Notes – Group

1 General accounting policies

The Parent Company, Trelleborg AB (publ), is a limited liability company with its registered office in Trelleborg, Sweden. The Parent Company is listed on Nasdaq Stockholm. The Board of Directors resolved to adopt these consolidated financial statements for publication on March 2, 2023.

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 in Note 35 "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.

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 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.

For foreign operations located in countries with hyperinflation, the financial statements are adjusted before translation using a reliable inflation index. This is performed in order to take into account changes in the purchasing power of the company's functional currency, usually its local currency. Only the year concerned is adjusted using an inflation index. Thereafter, assets and liabilities, including goodwill and other consolidated surplus values and discounts are restated in the Group's presentation currency at the exchange rate prevailing on the closing date. Revenue and expenses are also restated using this exchange rate. Refer to the "Change in equity" table on page 69 and Notes 9, 15 and 17.

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.

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.

New and amended IFRS standards applied from January 1, 2022

The following standards and amendments are new for the fiscal year beginning on January 1, 2022:

- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Improvements to IFRS 2018–2020

None of the above amended and improved IFRS standards that took effect in 2022 had any material impact on the Group's reporting.

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 material 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:

- Note 2 Segment reporting
- Note 9 Income tax
- Note 11 Pension provisions and similar items
- Note 16 Leases
- Note 17 Intangible assets
- Note 18 Inventories
- Note 19 Current operating receivables
- Note 24 Other provisions

Climate-related risks

Climate change is a challenge that entails risks for the entire global community, including its companies, people, and surrounding environment. Trelleborg is playing an active risk-prevention role by supplying products and solutions that reduce energy consumption and emissions for customers and society at large, and through its systematic work to limit climate risks directly associated with its own operations and its value chain.

During 2022, governance and organization of sustainability were further developed. Trelleborg changed its organization during the year to clarify the roles of the Board of Directors, the management, the executive steering committee and the operational employees for the steering of sustainability work, as well as the individual responsibility of the business areas for planning and implementation.

An analysis of climate-related risks and opportunities including future climate scenarios with financial impact according to the TCFD's recommendations provides the basis and variables for a potential future description for Trelleborg to base its actions on. The risks facing the Group can be divided into transition and physical risks.

Transition risks are generally expected to occur before physical risks. The organization is continuously increasing its contingency for future carbon regulations and rises in the price of raw materials. Transition risks related to changes in demand where customers avoid fossil materials is probably a larger risk in the medium term than new political measures and taxes. New materials and new technical solutions are monitored for the same purpose, namely for Trelleborg to be an industry leader in sustainability.

Climate-related disruptions of the supply chain and Trelleborg's production can be expected to increase moving forward. The risk analysis of climate-related physical risks has been in place for a long time. The number of upgrades to the level of *Highly Protected Risk facilities* is rising, refer to page 40.

Trelleborg's sustainability governance and organization are described in more detail on pages 50–53. Climate risks, including transition risks and physical risks, as well as descriptions of various climate scenarios, can be found on pages 118–120.

Discontinuing operations

The Group signed an agreement in March 2022 to divest the business area Trelleborg Wheel Systems to Yokohama Rubber Company for EUR 2,100 M on a cash and debt-free basis. Less than 3 percent of the purchase consideration is subject to Trelleborg Wheel Systems' performance in 2022. The divestment is expected to be finalized during the first half of 2023.

As of the first quarter of 2021, the Group's printing blanket operation has been reported as assets and liabilities held for sale and discontinuing operations. In the fourth quarter of 2021, an agreement was signed to divest the operations to Continental. The buyer has received the requisite approvals of all of the relevant authorities. Some formalities remain and the transaction is expected to be finalized during the first quarter of 2023.

Following the announcement of the divestments, the Group classified these operations as discontinuing operations, and assets and liabilities held for sale. Accordingly, the figures for 2022 relating to income statement items are presented as continuing and discontinuing operations. The 2021 comparative period has been adjusted in the corresponding manner. For closing balances in 2021 and 2022, assets and liabilities held for sale have been reclassified to a separate line in the consolidated balance sheet.

In accordance with IFRS 5, depreciation of assets held for sale, largely attributable to Trelleborg Wheel Systems, has been discontinued.

Refer also to Note 25 and pages 34–35 for further information on discontinuing operations.

Sales and earnings

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.

Trelleborg's operational businesses are organized into two business areas. Their respective strategies to secure leading positions in selected industries are tailored because they differ in structures and businesses – and because they operate in different market niches. The common denominator is the engineered polymer solutions that seal, damp and protect critical applications in demanding environments, as well as a distinctly decentralized organization built on local responsibility and personal dedication, which form the basis of the Group's model for profitability and business success.

- Trelleborg Industrial Solutions is a leading supplier of polymer-based critical solutions in selected industrial application areas and infrastructure projects.
- Trelleborg Sealing Solutions is a leading global supplier of polymer-based critical sealing solutions and components deployed in aerospace, automotive and general industry, and healthcare & medical.

In addition, other operations are gathered under the name Group activities. For a more detailed description of the Group's operating segments, refer to pages 28–33.

Assets held for sale

The Group's tire and printing blanket operations were reported in 2022 as discontinuing operations, assets held for sale.

The Group signed an agreement in March 2022 to divest the business area Trelleborg Wheel Systems to Yokohama Rubber Company for EUR 2,100 M on a cash and debt-free basis. Less than 3 percent of the purchase consideration is subject to Trelleborg Wheel Systems' performance in 2022. Completion of the transaction, which is subject to the approval of the relevant authorities, is expected to be finalized during the first half of 2023.

As of the first quarter of 2021, the Group's printing blanket operation has been reported as assets and liabilities held for sale and discontinuing operations. In the fourth quarter of 2021, an agreement was signed to divest the operations to Continental. The buyer has received the requisite approvals of all of the relevant authorities. Some formalities remain and the transaction is expected to be finalized during the first quarter of 2023.

Refer also to Note 25 and pages 34–35 for further information.

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 geographic markets, the operations have been subdivided into Europe, North and South America, Asia and Rest of the World. Net sales are recognized according to customer location, while capital employed and capital expenditures are recognized according to where the subsidiaries are physically located.

Critical estimates and judgments

Segment reporting for the business areas comprises operating EBIT and capital employed. Capital employed encompasses all property, plant, and equipment, intangible assets and participations in associated companies, and 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.

Net sales and EBIT by operating segment

SEK M	2022						2021					
	Net sales			Profit/loss	Of which items affecting comparability	Of which profit/loss in associated companies	Net sales			Profit/loss	Of which items affecting comparability	Of which profit/loss in associated companies
	External	Internal	Total				External	Internal	Total			
Trelleborg Industrial Solutions	13,771	227	13,998	1,824	-104	5	10,726	227	10,953	1,152	-208	-
Trelleborg Sealing Solutions	15,650	12	15,662	3,452	-39	1	12,463	17	12,480	2,820	-45	1
Group activities	674	-24	650	-451	-98	-	600	-	600	-152	170	0
Elimination	-	-215	-215	-	-	-	-	-244	-244	-	-	-
Total	30,095		30,095	4,825	-241	6	23,789		23,789	3,820	-83	1
Financial income				199						132		
Financial expenses				-429						-272		
Income tax				-1,166						-971		
Net profit, continuing operations				3,429						2,709		
Net profit, discontinuing operations				1,828						1,007		
Net profit, Group				5,257						3,716		

Allocation of revenue, net sales

SEK M	2022				Total net sales	Revenue recognition:		
	Europe	North and South America	Asia and Other markets	Total net sales		Over time	Point in time	Total net sales
Trelleborg Industrial Solutions	6,532	4,153	3,086	13,771	1,145	12,626	13,771	
Trelleborg Sealing Solutions	6,860	5,561	3,229	15,650	14	15,636	15,650	
Group activities	583	80	11	674	-	674	674	
Total	13,975	9,794	6,326	30,095	1,159	28,936	30,095	

SEK M	2021				Total net sales	Revenue recognition:		
	Europe	North and South America	Asia and Other markets	Total net sales		Over time	Point in time	Total net sales
Trelleborg Industrial Solutions	5,684	2,778	2,264	10,726	922	9,804	10,726	
Trelleborg Sealing Solutions	5,854	3,756	2,853	12,463	33	12,430	12,463	
Group activities	519	63	18	600	-	600	600	
Total	12,057	6,597	5,135	23,789	955	22,834	23,789	

Allocation of revenue, net sales by business area and industry, 2022

Business area/ industry, %	General industry	Automotive	Medical	Aerospace	Total
Trelleborg Industrial Solutions	85	7	3	5	100
Trelleborg Sealing Solutions	52	22	13	13	100
Continuing operations	67	16	8	9	100

Breakdown by operating segment

SEK M	2022						2021					
	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	12,857	49	387	582	10	1,594	11,062	–	366	530	61	1,366
Trelleborg Sealing Solutions	28,140	12	869	767	0	2,498	15,102	9	637	629	6	2,319
Group activities	535	–	42	50	0	–360	576	–	42	45	–5	–387
Provisions for items affecting comparability	–223						–183					
Continuing operations	41,309	61	1,298	1,399	10	3,732	26,557	9	1,045	1,204	62	3,298
Discontinuing operations	17,942	68	478	133	1	1,472	15,713	90	425	569	–32	1,271
Provisions for items affecting comparability	–7						–24					
Group	59,244	129	1,776	1,532	11	5,204	42,246	99	1,470	1,773	30	4,569

¹ Relates to investments in property, plant, and equipment and intangible assets, excluding investments in right-of-use assets of SEK 221 M (291).

² Including depreciation of right-of-use assets of SEK 348 M (419).

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	2022	2021
Germany	3,687	3,240
UK	1,387	1,133
France	1,260	1,139
Sweden	1,206	971
Italy	968	823
Netherlands	581	505
Switzerland	540	469
Spain	518	501
Poland	500	429
Belgium	380	347
Czech Republic	346	272
Norway	336	277
Türkiye	318	250
Hungary	283	209
Finland	268	252
Austria	241	204
Denmark	199	161
Slovenia	115	96
Slovakia	100	89
Romania	90	80
Russia	71	177
Rest of Europe	581	433
Total Europe	13,975	12,057
US	8,260	5,538
Canada	524	383
Mexico	472	323
Brazil	190	142
Other South and Central America	348	211
Total North and South America	9,794	6,597
China	2,475	2,309
India	591	408
Australia	530	442
South Korea	489	401
Japan	458	378
Other markets	1,783	1,197
Total Asia and Other markets	6,326	5,135
Continuing operations	30,095	23,789

Trends in key currencies against the SEK were as follows:

	2022		2021	
	Average rate	Closing rate	Average rate	Closing rate
EUR	10.6255	11.1283	10.1445	10.2269
USD	10.1203	10.4371	8.5797	9.0437
GBP	12.4647	12.5811	11.8012	12.179
CZK	0.4326	0.4607	0.3955	0.4105

Distribution by geographic market

SEK M	Capital employed		Capital expenditures ⁵	
	2022	2021	2022	2021
Germany	3,302	2,450	276	300
UK	3,001	2,481	65	55
Slovenia	1,386	1,266	35	38
Sweden	1,186	1,049	71	78
France	1,140	913	69	45
Switzerland	942	778	90	30
Türkiye	571	237	11	21
Malta	558	472	47	31
Denmark	485	372	65	18
Italy	389	332	42	28
Poland	207	183	34	30
Czech Republic	159	26	19	19
Rest of Europe	5,070	4,745	52	36
Total Europe	18,396	15,306	876	729
US	20,189	8,955	264	144
Canada	45	25	–	–
Mexico	256	99	7	2
Brazil	45	73	1	2
Other South and Central America	8	5	–	–
Total North and South America	20,543	9,158	272	148
China	1,285	1,065	69	125
Australia	349	376	9	6
India	279	264	26	22
Japan	194	189	12	1
South Korea	59	34	0	0
Other markets	204	167	34	13
Total Asia and Other markets	2,370	2,094	150	168
Continuing operations	41,309	26,557	1,298	1,045
Discontinuing operations	17,935	15,689	478	425
Group	59,244	42,246	1,776	1,470

⁵ Excluding investments in right-of-use assets of SEK 221 M (291).

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 recognizes 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 entail 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 corresponds 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.

Revenue recognized over time does not represent a significant amount in relation to the Group's total sales.

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 joint ventures, associated companies 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.

For further information, refer to Note 2 Segment reporting and the table "Allocation of revenue, net sales," Note 20 Prepaid expenses and accrued income, Note 21 Accrued expenses and prepaid income and Note 22 Contract assets and contract liabilities.

4 Expenses by nature

SEK M	2022	2021
Costs for raw materials, components, goods for resale, and packaging material as well as energy and transport costs	-13,490	-10,247
Remuneration to employees	-9,168	-7,717
Depreciation/amortization and impairment losses	-1,409	-1,270
Other external costs related to sales, administration, and R&D	-1,480	-1,062
Other operating expenses	-163	-141
Total	-25,710	-20,437

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.

Additionally, non-recurring impairment of non-current assets was also 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 refer to material income or expense items recognized separately due to the significance of their nature or amount. Examples of such items include capital gains/losses upon the sale of non-current assets or subsidiaries and material legal costs.

Breakdown by business area

SEK M	2022	2021
Trelleborg Industrial Solutions	-244	-208
Trelleborg Sealing Solutions	-39	-45
Group activities	-98	-7
Total	-381	-260
Capital gain, sale of properties	-	177
Capital gains, divestment of assets	140	-
Continuing operations	-241	-83
Discontinuing operations	-32	-94
Group	-273	-177

Breakdown by function

SEK M	2022	2021
Cost of goods sold	-231	-70
Selling expenses	-78	-25
Administrative expenses	-40	-89
Research & development costs	0	-1
Other operating income	140	204
Other operating expenses	-32	-102
Continuing operations	-241	-83
Discontinuing operations	-32	-94
Group	-273	-177

Of which impairment losses and restructuring costs, respectively

SEK M	Impairment losses		Restructuring costs	
	2022	2021	2022	2021
Trelleborg Industrial Solutions	-3	-58	-101	-150
Trelleborg Sealing Solutions	-	-5	-39	-40
Group activities	-	-	-98	170
Continuing operations	-3	-63	-238	-20
Discontinuing operations	-	-	-32	-94
Group	-3	-63	-270	-114

6 Other operating income and expenses

SEK M	2022	2021
Rental revenue	17	18
Government grants	26	8
Derivatives	11	6
Sale of non-current assets	118	6
Sale of tools, prototypes, etc.	13	12
Exchange rate differences, other	110	215
Total other operating income	295	265
Rental costs	-14	-11
Derivatives	-56	-9
Depreciation/amortization	-245	-174
Exchange rate differences, other	-69	-75
Total other operating expenses	-384	-269
Total	-89	-4

7 Auditor's remuneration

SEK M	2022	2021
<i>Deloitte</i>		
Audit assignment	20	18
Audit activities other than audit assignment	1	1
Tax consultancy services	0	0
Other services	0	0
<i>Other auditors</i>		
Audit assignment	5	5
Audit activities other than audit assignment	0	0
Tax consultancy services	0	-
Other services	0	-
Total	26	24

The audit assignment relates to an audit of the financial statements and accounts as well as an audit of the administration of the Board of Directors and the President. 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	2022	2021
Interest income according to the effective interest method from interest-bearing receivables recognized at amortized cost	44	23
Interest income according to the effective interest method from interest-bearing receivables recognized at amortized cost – from assets held for sale	28	72
Interest income, derivative instruments measured at fair value	76	–
Net change in value of derivative instruments measured at fair value	6	–
Exchange rate fluctuations, net	45	37
Total financial income	199	132

Financial expenses

Interest expenses according to the effective interest method from interest-bearing liabilities recognized at amortized cost	–351	–133
Interest expenses on lease	–53	–51
Interest expenses on pension liabilities	–2	–5
Interest expenses, derivative instruments measured at fair value	–	–54
Net change in value of derivative instruments measured at fair value	–	–5
Exchange rate fluctuations, net	–23	–24
Total financial expenses	–429	–272

Total financial income and expenses	–230	–140
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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 on losses carried forward. 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	2022	2021
Current tax expenses		
Tax expenses for the period	–918	–770
Adjustment of tax attributable to prior years	10	0
Total	–908	–770
Deferred tax expenses		
Utilization/Revaluation of losses carried forward	–144	–195
Deferred tax expenses/revenue on changes in temporary differences	–110	10
Adjustment of deferred tax attributable to prior years	–4	–16
Total	–258	–201
Total recognized tax expense in continuing operations	–1,166	–971
Discontinuing operations	–542	–238
Total recognized tax expense in Group	–1,708	–1,209
Reconciliation of tax in the Group		
Profit before tax	4,595	3,680
Calculated Swedish income tax, 20.6% (20.6)	–947	–758
Impact of other tax rates on foreign subsidiaries	–144	–92
Impact of changed tax rates and tax regulations	–7	–21
Other non-deductible expenses/Non-taxable revenue	14	–79
Foreign withholding tax	–39	–14
Reassessment of losses carried forward/temporary differences	–39	9
Tax attributable to prior years	6	–16
Other	–10	0
Recognized tax in continuing operations	–1,166	–971
Discontinuing operations	–542	–238
Recognized tax in Group	–1,708	–1,209
Tax items in the Group recognized in other comprehensive income or directly against equity		
Deferred tax on cash-flow hedges	–84	–25
Deferred tax on hedging of net investments	199	81
Deferred tax in translation differences	–3	–4
Deferred tax on pension obligations (IAS 19)	–32	–10
Deferred tax on effects of IAS 29 ¹	–30	–
Total	50	42

¹ Relates to hyperinflation accounting for operation in Türkiye.

At year-end, the Group had total losses carried forward of approximately SEK 1,324 M (1,758), of which SEK 595 M (1,139) 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 4 M (4) falls due within the next 12-month period and SEK 16 M (16) falls due within the next five-year period.

Deferred tax assets and liabilities

SEK M	2022			2021		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	138	946	-808	95	980	-885
Land and buildings	57	89	-32	67	108	-41
Machinery and equipment	25	215	-190	70	284	-214
Right-of-use assets	-	379	-379	-	452	-452
Financial non-current assets	0	6	-6	0	5	-5
Inventories	167	6	161	177	7	170
Current receivables	21	7	14	30	14	16
Pension provisions	66	1	65	96	0	96
Other provisions	105	1	104	109	33	76
Lease liabilities	420	-	420	501	-	501
Non-current liabilities	4	0	4	4	0	4
Current liabilities	179	2	177	173	6	167
Losses carried forward	103	-	103	235	-	235
Total	1,285	1,652	-367	1,557	1,889	-332
Offsetting of assets/liabilities	-742	-742		-963	-963	
Total	543	910	-367	594	926	-332

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		Reclassification to assets held for sale		Recognized in profit and loss		Recognized in other comprehensive income/directly against equity		Acquired/divested tax assets/liabilities		Translation reserve		Balance, December 31	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Intangible assets	-885	-883	176	70	8	-5	-9	-	-16	-12	-82	-55	-808	-885
Land and buildings	-41	-86	19	32	7	-6	-15	-	-1	-	-1	19	-32	-41
Machinery and equipment	-214	-175	135	-10	-82	-2	-6	-	-5	-	-18	-27	-190	-214
Right-of-use assets	-452	-453	95	10	11	10	-	-	-2	-	-31	-19	-379	-452
Financial non-current assets	-5	-5	-	-	-109	-50	109	50	-	-	-1	0	-6	-5
Inventories	170	143	-44	-14	21	35	-	-	-	-	14	6	161	170
Current receivables	16	45	10	-1	-13	-29	-	-	-	-	1	1	14	16
Pension provisions	96	112	-13	-3	-1	-3	-24	-10	1	-	6	0	65	96
Other provisions	76	82	-16	24	40	-1	-	-	-	-	4	-29	104	76
Lease liabilities	501	495	-110	-10	-13	-10	-	-	3	-	39	26	420	501
Non-current liabilities	4	4	-	-	0	0	-	-	-	-	0	0	4	4
Current liabilities	167	98	-27	18	17	38	3	2	-	-	17	11	177	167
Losses carried forward	235	466	-5	-80	-144	-198	-	-	6	-	11	47	103	235
Total	-332	-157	220	36	-258	-221	58	42	-14	-12	-41	-20	-367	-332

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.

See also Note 11 concerning pensions.

Average number of employees

	2022			2021		
	Number of women	Number of men	Total	Number of women	Number of men	Total
Czech Republic	257	398	655	263	428	691
UK	313	1,010	1,323	274	954	1,228
Italy	116	219	335	110	212	322
Germany	366	637	1,003	316	581	897
Sweden	295	610	905	306	615	921
France	173	625	798	159	612	771
Slovenia	206	423	629	170	386	556
Malta	157	366	523	146	324	470
Poland	206	239	445	192	235	427
Türkiye	28	441	469	28	405	433
Denmark	116	263	379	111	273	384
Netherlands	30	179	209	31	182	213
Rest of Europe	347	479	826	360	463	823
Total Europe	2,610	5,889	8,499	2,466	5,670	8,136
US	1,029	1,830	2,859	984	1,784	2,768
Canada	12	18	30	9	18	27
Brazil	31	37	68	24	29	53
Mexico	118	220	338	120	247	367
Other North and South America	1	0	1	1	0	1
Total North and South America	1,191	2,105	3,296	1,138	2,078	3,216
China	353	569	922	346	559	905
India	114	856	970	81	721	802
Other markets	129	436	565	119	414	533
Total Asia and Other markets	596	1,861	2,457	546	1,694	2,240
Discontinuing operations	970	5,751	6,721	1,186	6,217	7,403
Group	5,367	15,606	20,973	5,336	15,659	20,995

The proportion of women is 14 percent (14) in Group Management and 43 percent (43) on the Board of Directors.

Employee benefits, other remuneration and payroll overheads

Salaries and other remuneration, SEK M	2022	2021
Czech Republic	127	157
UK	709	630
Italy	159	151
Germany	819	705
Sweden	550	557
France	366	333
Slovenia	182	169
Malta	140	126
Poland	86	76
Türkiye	99	78
Denmark	302	256
Netherlands	143	136
Rest of Europe	418	361
Total Europe	4,100	3,735
US	2,537	1,791
Canada	26	22
Brazil	22	14
Mexico	67	61
Other North and South America	1	1
Total North and South America	2,653	1,889
China	246	199
India	109	87
Other markets	398	344
Total Asia and Other markets	753	630
Salaries and other remuneration	7,506	6,254
Payroll overheads	1,087	979
Pension costs – defined contribution plans	247	212
Pension costs – defined benefit plans	33	49
Payroll overheads	1,367	1,240
Employee benefits, other remuneration and payroll overheads in discontinuing operations	2,660	2,494
Group	11,533	9,988
Salaries and other remuneration include:		
to Board members and President of Trelleborg AB, including variable salaries	34	32
to other senior executive officers	53	44

Remuneration of the Board of Directors and senior executives

Principles

The principles governing remuneration of senior executives in the Trelleborg Group were adopted by the 2022 Annual General Meeting. Refer to page 60.

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. The remuneration principles may 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 in comparison with relevant industries and markets. Refer also to www.trelleborg.com, Corporate Governance, Remuneration: "Principles for remuneration of senior executives".

Remuneration of management

President

During 2022, the President and CEO received a fixed salary and other remuneration as shown in the table on page 82. Pursuant to agreements, the President has the possibility of earning an annual variable salary. The annual variable component has a fixed ceiling, which corresponds to a maximum of 65 percent of the fixed annual salary. In 2022, the annual variable salary was based on financial targets and specific sustainability targets. The annual variable salary does not constitute pensionable income and does not form the basis for the calculation of vacation pay. For 2022, an annual variable salary of SEK 7,279,000 (8,956,000) was paid to the President.

Pensionable age for the President is 65; however, both the company and the President have the right, without a special cause, to request an early retirement from the age of 60, with a mutual six-month notice of termination. Should the President enter into an early retirement, the employment agreement and the pension agreement will be null and void. The pension agreement is a defined-contribution scheme, and the premium comprises 45 percent of the fixed salary, including vacation pay. Pension premiums were paid in 2022 as shown in the table on page 82. For the President, a

notice period of 24 months applies should termination of employment be initiated by the company. Should a termination of employment be initiated by the President, the notice period shall be six months.

Other senior executives

The principles for remuneration of other senior executives are based on a fixed and annual variable salary as well as certain benefits. The annual variable component has a fixed ceiling accounting for a maximum of 45–70 percent of the fixed annual salary. For 2022, the annual variable salary was based on profit before tax, operating cash flow, and specific sustainability targets.

For other senior executives, the entire pension plan was based on a defined-contribution model, whereby the pension premium varied between 10 and 35 percent of the fixed salary. For other Swedish senior executives, the maximum level of 35 percent in accordance with the policy was applied in 2022.

Certain senior executives have extended notice periods when a termination of employment is initiated by the company, normally 12, 18, or 24 months. Should a termination of employment be initiated by a senior executive, the notice period is six months. The President and other senior executives have also been entitled to 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 have a significant influence on the Trelleborg Group's earnings per share. These programs are rolling on three years at the time. The Board determines annually whether to introduce new programs and, if so, the scope, objective, and participants. The long-term incentive programs have been a cash-based supplement to the annual variable salaries, provided that the executives have not terminated their employment as per December 31 in the year when the program ends.

Purpose

The long-term incentive programs shall be designed to contribute to Trelleborg's business strategy and long-term interests including its sustainability. The ultimate target is to increase the shareholder value by promoting, developing, and retaining senior executives.

Target figure

The target value for the long-term incentive program is an annual improvement of 10 percent of the Trelleborg Group's earnings per share. This target shall exclude the Group's items affecting comparability and the impact of any share repurchase programs. For the 2018–2020 programs, the basis for the target figure was set as the outcome of earnings per share for 2017. This principle has remained unchanged for the rolling three-year programs that commenced thereafter. All programs have an outcome limited to 33.3 percent of the maximum annual variable salary per year in the program.

Outcome and payment

The outcome of the programs are calculated annually, accumulated over the respective three-year period and potential payments are made in the first quarter of the year after the program expires. Therefore, a payment was made in the first quarter of 2022 for the program approved in 2019. For the program approved for 2020, payment will be made in the first quarter of 2023, for the program approved for 2021, payment will be made in the first quarter of 2024, and for the program approved for 2022, payment will be made in the first quarter of 2025. These payments do not constitute pensionable income and do not form the basis of calculation of vacation payment.

In 2022, SEK 53,668,000 (27,432,000) was expensed as the targets were achieved in full.

Other incentive programs

The Group has no other ongoing incentive programs such as convertible debentures, warrant programs, share incentive programs, or similar at the present time.

Remuneration of the Board

The fees paid to the members of the Board of Directors elected by the Annual General Meeting were approved by the 2022 Annual General Meeting based on the proposals of the Nomination Committee. For 2022, remuneration was paid as per the table on the right. No consulting fees were paid to the Board members. Executive Board members do not receive remuneration for Board work.

Costs are recognized as remuneration of senior executives for the period during which the person in question was employed.

Specification of remuneration to Board members, salaries to the President and other senior executive officers

2022 SEK 000s	Board fee/fixed salary	Annual variable salary	Incentive program ¹	Other benefits	Pension costs	Total
Hans Biörck, Chairman of the Board	2,352					2,352
Gunilla Fransson, Board member	933					933
Johan Malmquist, Board member	843					843
Anne Mette Olesen, Board member	755					755
Jan Ståhlberg, Board member	912					912
Monica Gimre, Board member	823					823
President	12,317	7,279	7,559	220	5,363	32,738
Other senior executives, employees of Trelleborg AB, 2 persons	8,412	3,667	2,917	328	2,683	18,007
employees of other Group companies, 4 persons	16,447	9,447	10,404	895	3,101	40,294
Total	43,794	20,393	20,880	1,443	11,147	97,657

¹ Expensed in 2022. Payment is to be made in the first quarter 2023 to 2025, on condition that the individual is employed in the Group on December 31 of the preceding year.

2021 SEK 000s	Board fee/fixed salary	Annual variable salary	Incentive program	Other benefits	Pension costs	Total
Hans Biörck, Chairman of the Board	2,220					2,220
Gunilla Fransson, Board member	873					873
Johan Malmquist, Board member	797					797
Anne Mette Olesen, Board member	715					715
Susanne Pahlén Åklundh, Board member ²	247					247
Jan Ståhlberg, Board member	862					862
Monica Gimre, Board member ³	533					533
President	11,917	8,956	4,614	221	5,181	30,889
Other senior executives, employees of Trelleborg AB, 2 persons	9,439	4,243	1,548	315	2,476	18,021
employees of other Group companies, 4 persons	14,962	8,990	3,913	809	3,098	31,772
Total	42,565	22,189	10,075	1,345	10,755	86,929

² Board member up to and including the Annual General Meeting.

³ Board member as of the Annual General Meeting.

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, defined benefit obligations amounted to SEK 332 M (523).

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 costs

SEK M	2022	2021
Costs for services during current year ¹	37	41
Interest on the obligation	14	19
Anticipated return on plan assets ²	-6	-13
Actuarial gains and losses recognized for the year	-5	-1
Curtailement and settlement	-5	7
Past service cost	-2	-4
Total cost of defined benefit plans	33	49
Cost of defined contribution plans	247	212
Total pension costs	280	261

¹ Includes administrative expenses, taxes, and risk premiums.

² Adjusted for limitation of defined benefit asset and IFRIC 14.

Specification of pension obligations in the balance sheet

SEK M	2022	2021
Present value of funded obligations	571	698
Fair value of plan assets	-547	-629
Surplus/deficit in funded plans	24	69
Present value of unfunded obligations	308	454
Total defined benefit plans	332	523
Effect of limit rule for net assets	0	0
Total defined benefit plans	332	523
Defined contribution plans	0	0
Net pension liability	332	523
of which, recognized as plan assets	20	2
Closing balance, pension liability	352	525

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, 2021	1,652	-1,049	0	603
Reclassification to liabilities held for sale	-31	2	0	-29
Costs for services during current year ³	48	3	-	51
Interest expenses/(income) ⁴	21	-13	-	8
Past service cost	-4	-	-	-4
Gains and losses from settlements	-436	441	-	5
	-371	431	0	60
<i>Revaluations:</i>				
Return on plan assets excluding amounts included in interest expenses/(income)	-	26	0	26
(Gain)/loss due to changed demographic assumptions	-21	-	-	-21
(Gain)/loss due to changed financial assumptions	-53	-	-	-53
Experience-based (gains)/losses	-17	-	-	-17
	-91	26	0	-65
Exchange rate differences	60	-58	-	2
<i>Contributions:</i>				
Employer	-	-43	-	-43
Employees encompassed by the plan	9	-9	-	0
<i>Payments:</i>				
Payments made from plans	-46	46	-	0
Payments made directly from companies	-25	25	-	0
Transfers or change in scope	-5	-	-	-5
At December 31, 2021	1,152	-629	0	523
On January 1, 2022	1,152	-629	0	523
Reclassification to liabilities held for sale	-153	52	-	-101
Costs for services during current year ³	37	0	-	37
Interest expenses/(income) ⁴	14	-6	-	8
Past service cost	-2	-	-	-2
Gains and losses from settlements	-5	-	-	-5
	44	-6	0	38
<i>Revaluations:</i>				
Return on plan assets excluding amounts included in interest expenses/(income)	-	104	-	104
(Gain)/loss due to changed demographic assumptions	3	-	-	3
(Gain)/loss due to changed financial assumptions	-248	-	-	-248
Experience-based (gains)/losses	29	-	-	29
	-216	104	0	-112

³ Including administrative expenses.

⁴ 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	84	-59	-	25
Contributions:				
Employer	-	-30	-	-30
Employees encompassed by the plan	10	-10	-	0
Payments:				
Payments made from plans	-12	12	-	0
Payments made directly from companies	-18	18	-	0
Acquisitions	9	-	-	9
Transfers or change in scope	-19	-	-	-19
At December 31, 2022	880	-548	-	332

Defined benefit pension obligation and composition of plan assets per country

SEK M	2022					Total
	US	Switzerland	France	UK	Other	
Present value of funded obligations	9	384	-	96	83	572
Fair value of plan assets	-29	-344	-	-96	-79	-548
Total	-20	40	-	0	4	24
Present value of unfunded obligations	12	0	148	-	148	308
Effect of limit rule for net assets	-	-	-	0	-	0
Total defined benefit plans	-8	40	148	0	152	332

SEK M	2021					Total
	US	Switzerland	France	UK	Other	
Present value of funded obligations	11	379	-	139	169	698
Fair value of plan assets	-26	-302	-	-139	-162	-629
Total	-15	77	-	0	7	69
Present value of unfunded obligations	15	1	197	-	241	454
Effect of limit rule for net assets	-	-	-	0	-	0
Total defined benefit plans	0	78	197	0	248	523

Key actuarial assumptions, %	2022					Group average
	US	Switzerland	France	UK	Other	
Discount rate	5.45	2.05	3.70	5.00	5.86	3.73
Inflation	2.50	1.25	N/A	2.90	4.21	2.29
Salary increases	N/A	1.52	2.85	N/A	5.52	2.86

Key actuarial assumptions, %	2021					Group average
	US	Switzerland	France	UK	Other	
Discount rate	2.55	0.35	0.85	1.80	2.58	1.45
Inflation	2.50	1.00	N/A	3.20	3.19	2.22
Salary increases	N/A	1.16	2.42	N/A	4.15	2.48

Life expectancy	2022					Average
	US	Switzerland	France	UK	Other	
Life expectancy for a 45-year-old man at the age of 65	21.6	23.8	19.4	22.6	20.3	22.0
Life expectancy for a 65-year-old man at the age of 65	20.7	22.0	19.1	20.5	18.5	20.4
Life expectancy for a 45-year-old woman at the age of 65	23.5	25.7	23.3	25.2	23.0	24.5
Life expectancy for a 65-year-old woman at the age of 65	22.7	23.7	23.1	23.0	21.6	23.0

Life expectancy	2021					Average
	US	Switzerland	France	UK	Other	
Life expectancy for a 45-year-old man at the age of 65	21.6	23.8	19.2	21.8	21.2	21.8
Life expectancy for a 65-year-old man at the age of 65	20.7	21.9	19.2	20.4	19.7	20.4
Life expectancy for a 45-year-old woman at the age of 65	23.5	25.5	23.1	23.9	24.4	24.5
Life expectancy for a 65-year-old woman at the age of 65	22.7	23.6	23.1	22.4	23.0	23.2

Sensitivity in the defined benefit obligation to changes in the key weighted assumptions

SEK M	Increase of +0.25% in assumptions ⁵					Total
	US	Switzerland	France	UK	Other	
Discount rate	-0.4	-14.1	-3.8	-2.1	-6.8	-27.2
Inflation	0.0	1.0	N/A	0.9	2.4	4.2
Salary increases	0.0	1.0	3.8	0.0	1.7	6.6

Life expectancy	Increase of 1 year in assumption					
	US	Switzerland	France	UK	Other	
	0.8	6.9	0.0	5.0	3.5	16.3

SEK M	Decrease of -0.25% in assumptions ⁵					Total
	US	Switzerland	France	UK	Other	
Discount rate	0.4	15.0	3.9	2.2	7.1	28.6
Inflation	0.0	-1.0	N/A	-0.9	-2.3	-4.2
Salary increases	0.0	-1.0	-3.8	0.0	-1.7	-6.5

Life expectancy	Decrease of 1 year in assumption ⁶					
	US	Switzerland	France	UK	Other	
	0.8	6.9	0.0	5.0	3.5	16.3

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	2022			
	Listed	Unlisted	Total	%
Shares	77	-	77	14
Debt instruments (government bonds and corporate bonds)	115	-	115	21
Properties	63	-	63	12
Other (including cash and cash equivalents, and insurance)	152	140	292	53
Total	407	140	547	100

SEK M	2021			
	Listed	Unlisted	Total	%
Shares	75	-	75	12
Debt instruments (government bonds and corporate bonds)	107	-	107	17
Properties	48	-	48	8
Other (including cash and cash equivalents, and insurance)	168	231	399	63
Total	398	231	629	100

Contributions to plans for post-employment benefits for the 2023 fiscal year are expected to amount to SEK 29 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 2022 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 7 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, 2022, Alecta's surplus corresponded preliminarily to a collective consolidation ratio of 172 percent (172).

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 non-current 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.

SEK M	Profit before tax		Income tax		Net profit/loss		Dividend received	
	2022	2021	2022	2021	2022	2021	2022	2021
Associated companies	8	5	-2	-2	6	3	1	1
Total	8	5	-2	-2	6	3	1	1

SEK M	Receivables from companies		Liabilities to companies		Sales to companies		Operating income from companies	
	2022	2021	2022	2021	2022	2021	2022	2021
Associated companies	0	1	1	1	1	1	0	1
Total	0	1	1	1	1	1	0	1

Change in carrying amounts of associated companies

SEK M	2022	2021
Balance, January 1	60	104
Reclassification to assets held for sale	-12	-74
Share of profit for year from associated companies	6	3
Capital contributions	-	29
Dividend	-1	-1
Exchange rate differences	8	-1
Total	61	60

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.

The table shows directly and indirectly owned subsidiaries with annual external sales exceeding SEK 250 M. The companies in a bolded font are directly owned by Trelleborg AB and companies that are indirectly owned by Trelleborg AB are listed under the companies in a bolded font.

Company	Registration number	Domicile/country	Ownership percent	Carrying amount, SEK M
Chemtrading Alpha Holding AG	CH - 170.3.018.603-0	Switzerland	100	3
Dormviltolv AB	556853-1619	Trelleborg	100	0
Dormviltretton AB	556853-1627	Trelleborg	100	0
Dormvilforton AB	556853-1486	Trelleborg	100	0
Dormvilfemton AB	556853-1635	Trelleborg	100	276
LEBELA Förvaltnings AB	556054-1533	Trelleborg	100	32
MHT Takentreprenören i Malmö AB	556170-2340	Malmö	100	0
Mitas do Brasil Ltda ¹	04.461.592/0001-08	Brazil	4	0
Printing Solutions Sweden Holding AB	556728-8716	Trelleborg	100	1,578
Printing Solutions US Inc	85-3820268	US	100	
Trelleborg Coated Systems Italy SpA	10051150158	Italy	100	
Trelleborg Automotive Shanghai Holdings AB	556742-8742	Trelleborg	100	10
Trelleborg Automotive Shanghai Co Ltd	310000400644102	China	100	
Trelleborg China Holding AB	556030-7398	Trelleborg	100	43
Trelleborg Sealing Solutions (China) Co. Ltd	310000400437534	China	100	
Trelleborg Corporation	06-1253246	US	100	8,269
Trelleborg Coated Systems US Inc	23-1470071	US	100	
Trelleborg Pipe Seals Milford Inc	02-0492653	US	100	
Trelleborg Sealing Profiles US Inc	20-4090472	US	100	
Trelleborg Sealing Solutions US Inc	95-1773005	US	100	
Trelleborg India Pvt Ltd ¹	U25203KA2012FTC062226	India	96	
Trelleborg Sealing Solutions Detroit, Inc	58-2037536	US	100	
Trelleborg Sealing Solutions Japan KK ¹	0106-01-011635	Japan	60	
Quadion LLC	5193007	US	100	
Trelleborg Croatia d.o.o.	080638386	Croatia	100	0
Trelleborg do Brasil Soluções em Vedação Ltda	35218417780	Brazil	100	20
Trelleborg Engineered Systems China Holding AB	556223-5910	Trelleborg	100	3
Trelleborg Engineered Systems Qingdao Holding AB	556715-4991	Trelleborg	100	96
Trelleborg Forsheda AB	556052-2996	Värnamo	100	150
Trelleborg Ersmark AB	556039-7852	Skellefteå	100	
Trelleborg Holding AB	556212-8255	Trelleborg	100	5,467
Trelleborg Antivibration Solutions Germany GmbH	HRB 5137 NP	Germany	100	
Trelleborg Bohemia a.s	000 12 131	Czech Republic	100	
Trelleborg Istanbul Endüstriyel Hortumlar Sanayi ve Ticaret Anonim Sirketi	905	Türkiye	100	
Trelleborg Marine Systems Australia Pty Ltd	098 290 400	Australia	100	
Trelleborg Marine Systems FZE	5983	United Arab Emirates	100	
Trelleborg Sealing Profiles Germany GmbH	HRB 11960	Germany	100	
Trelleborg Sealing Profiles Sweden AB	556026-2148	Trelleborg	100	
Trelleborg Sealing Solutions Germany GmbH	HRB 21275	Germany	100	
Trelleborg Singapore Pte Ltd	197200418W	Singapore	100	
Trelleborg Slovenija d.o.o	1661205000	Slovenia	100	
Trelleborg Holding Denmark A/S	1627 9196	Denmark	100	631
Trelleborg Holding France SAS	353742307	France	100	1,476
Trelleborg Clermont-Ferrand SAS	391933397	France	100	
Trelleborg Sealing Solutions France SAS	309,730,554	France	100	
Trelleborg Holdings Italia S.r.l.	LI-128316	Italy	100	671
Trelleborg Sealing Solutions Italia S.p.A.	LI-48490	Italy	100	

¹ The company is wholly owned by the Trelleborg Group, albeit by two or more parent companies.

Company	Registration number	Domicile/country	Ownership percent	Carrying amount, SEK M
Trelleborg Holding Norge AS	943508186	Norway	100	
Trelleborg Holdings UK Ltd	03304377	UK	100	1,951
Trelleborg Industrial Products UK Limited	3847966	UK	100	
Trelleborg Sealing Solutions UK Ltd	00446036	UK	100	
Trelleborg Industri AB	556129-7267	Trelleborg	100	118
Trelleborg Industrial Products Finland Oy	06058879	Finland	100	137
Trelleborg Insurance Ltd	10412	Bermuda	100	118
Trelleborg International B.V.	02327837	Netherlands	100	1,358
Trelleborg India Pvt Ltd ¹	U25203KA2012FTC062226	India	4	
Trelleborg Pipe Seals Lelystad BV	05026585	Netherlands	100	
Trelleborg Kenitra SARL	54449	Morocco	100	0
Trelleborg Mladá Boleslav s.r.o.	639 96 111	Czech Republic	100	19
Trelleborg Moulded Components Wuxi Holding AB	556715-4983	Trelleborg	100	78
Trelleborg Odawara K.K.	0100-01-095821	Japan	100	11
Trelleborg Offshore & Construction AB	556055-7711	Trelleborg	100	23
Trelleborg Sealing Profiles Lithuanian, UAB	302333896	Lithuania	100	8
Trelleborg Sealing Solutions Algetshausen AG	CHE-107.270.682	Switzerland	100	27
Trelleborg Sealing Solutions Belgium SA	BE0440479473	Belgium	100	41
Trelleborg Sealing Solutions Bulgaria EOOD	175241703	Bulgaria	100	65
Trelleborg Sealing Solutions Czech s.r.o.	48948764	Czech Republic	100	48
Trelleborg Sealing Solutions Finland Oy	0721679-5	Finland	100	75
Trelleborg Sealing Solutions Hong Kong Ltd	730579	Hong Kong	100	1
Trelleborg Sealing Solutions Hungary Limited Liability Company	13-09-119761	Hungary	100	1
Trelleborg Sealing Solutions Japan KK ¹	0106-01-011635	Japan	40	99
Trelleborg Sealing Solutions Kalmar AB	556325-7442	Kalmar	100	689
Trelleborg Sealing Solutions Korea Ltd	123-81-81886	South Korea	100	17
Trelleborg Sealing Solutions OOO	1087746852599	Russia	100	2
Trelleborg Sealing Solutions Polska Sp. z o.o.	0000100866	Poland	100	6
Trelleborg Sealing Solutions Sızdirmazlık Ürünleri İthalat İhracat Üretim ve Ticaret Limited Sirketi	816771	Türkiye	100	7
Trelleborg Sealing Solutions Sweden AB	556204-8370	Jönköping	100	167
Trelleborg Sealing Solutions Switzerland AG	290.3.004.156-3	Switzerland	100	333
Trelleborg Sealing Solutions Yesipovo OOO	1225000010278	Russia	100	0
Trelleborg Tigveni SRL	22964627	Romania	100	6
Trelleborg Treasury AB (publ)	556064-2646	Stockholm	100	15,509
Trelleborg Wheel Systems Argentina S.A. ¹	14362	Argentina	85	0
Trelleborg Wheel Systems Holding AB	556739-6998	Trelleborg	100	2,321
Trelleborg Wheel Systems Americas Inc	06-1316073	US	100	
Trelleborg Wheel Systems Austria GmbH	FN 250690	Austria	100	
Trelleborg Wheel Systems Belgium NV	BE0402981847	Belgium	100	
Trelleborg Wheel Systems Czech Republic a.s.	000 12 190	Czech Republic	100	
Trelleborg do Brasil Ltda	35212754369	Brazil	100	
Trelleborg Wheel Systems France SAS	410783492	France	100	
Trelleborg Wheel Systems Germany GmbH	HRB 71478	Germany	100	
Trelleborg Wheel Systems Italia SpA	RM-907676	Italy	100	
Trelleborg Wheel Systems Moto d.o.o.	8551146000	Slovenia	100	
Trelleborg Wheel Systems Netherlands B.V.	24268976	Netherlands	100	
Trelleborg Wheel Systems Nordic AB	556056-2620	Trelleborg	100	
Trelleborg Wheel Systems UK Ltd	1930844	UK	100	
Trelleborg Wheel Systems (Xingtai) Co Ltd	130500400002917	China	100	
Total Parent Company				41,960

¹ The company is wholly owned by the Trelleborg Group, albeit by two or more parent companies.

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 interests 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 in the Group 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 fair 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.

2022

Acquisition of Minnesota Rubber & Plastics

On October 27, 2022, the business area Trelleborg Sealing Solutions acquired 100 percent of Minnesota Rubber & Plastics, which is a strong and well-established company in North America active in several fast-growing industries, such as medical equipment, water management and food & beverage, as well as in several industrial applications. Minnesota Rubber & Plastics has sales of approximately SEK 2,250 M on an annual basis. During the final two months of 2022, the acquisition contributed SEK 375 M to the Group's net sales.

Acquisition of Minnesota Rubber & Plastics

SEK M	Acquired 2022
Trademarks ¹	28
Customer relationships ²	3,290
Other intangible assets	–
Property, plant and equipment	625
Right-of-use assets	10
Deferred tax assets	–
Participations in associated companies	–
Interest-bearing receivables	378
Inventories	334
Operating receivables	535
Current tax assets	2
Cash and cash equivalents	140
Deferred tax liabilities	–1
Interest-bearing liabilities	–2,834
Pension obligations	–
Other provisions	–63
Current tax liability	–4
Operating liabilities	–350
Net assets	2,090
Goodwill	6,216
Total purchase consideration	8,306
Cash and cash equivalents and other net debt in acquired operations	2,316
Cash flow effect	10,622

¹ The surplus value of trademarks is amortized over a period of 1–10 years.

² The surplus value of customer relationships is amortized over a period of 16 years.

The purchase price allocation (PPA) identified brands of SEK 28 M; customer relations of SEK 3,290 M and goodwill of SEK 6,216 M. Amortization of these assets for 2022 totaled SEK 37 M, and the total amortization for 2023 is estimated at approximately SEK 220 M. Goodwill identified mainly relates to synergies that are anticipated after the completion of the acquisition.

Other acquisitions in 2022

Acquisitions in the Trelleborg Industrial Solutions business area
Parklane Textiles Ltd., a sub-supplier to Trelleborg that develops and manufactures reinforcement materials used in polymer-coated fabrics.

The business area also completed an acquisition of a drainage pipe rehabilitation business.

Acquisitions in the Trelleborg Sealing Solutions business area
EirMed, LLC. specializes in technical precision plastic injection-molded components. The products are mainly applied in medical devices, such as those used for in-vitro diagnostics, minimally invasive surgery, and orthopedics.

MG Silikon GmbH, an entity within Saint-Gobain Group. The company specializes in sealing solutions for aerospace and industrial applications.

Other acquisitions

SEK M	Acquired 2022	Acquired 2021
Customer relationships ³	131	94
Other intangible assets	–	7
Property, plant and equipment	40	223
Right-of-use assets	53	18
Deferred tax assets	3	0
Interest-bearing receivables	18	19
Inventories	112	62
Operating receivables	97	55
Current tax assets	–1	1
Cash and cash equivalents	43	26
Deferred tax liabilities	–16	–12
Interest-bearing liabilities	–262	–82
Pension obligations	–9	–
Other provisions	–1	–
Current tax liability	0	–1
Operating liabilities	–96	–37
Net assets	112	373
Goodwill	255	162
Total purchase consideration	367	535
Cash and cash equivalents and other net debt in acquired operations	210	38
Cash flow effect	577	573

³ The surplus value of customer relationships is amortized over a period of 10 years.

Goodwill of SEK 255 M relating to "Other acquisitions" that arose from acquisitions during the year mainly relates to synergies that are anticipated after the completion of the acquisitions. The fair value of acquired identifiable intangible assets is provisional pending the final valuation of these assets.

Business combinations during the year, Minnesota Rubber & Plastics and other acquisitions, contributed SEK 508 M to net sales.

The acquisition of a drainage pipe rehabilitation business related mainly to an asset-transfer acquisition. The acquisition of Parklane Textiles Ltd was also an asset-transfer acquisition. Other acquisitions carried out in 2022 refer to 100 percent of the shares in the respective companies.

Certain minor adjustments were made to purchase price allocations attributable to acquisitions made in 2021.

For further information concerning the acquisitions, refer to page 21.

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 annual 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.

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.

Property, plant and equipment

SEK M	2022	2021
Buildings	2,139	2,800
Land and land improvements	827	1,074
Plant and machinery	2,741	4,412
Equipment, tools, fixtures and fittings	497	613
New construction in progress and advance payments	1,385	1,101
Total	7,589	10,000

PPE by operating segment

SEK M	2022	2021 ¹
Trelleborg Industrial Solutions	2,944	2,575
Trelleborg Sealing Solutions	4,128	2,873
Group activities	517	487
Continuing operations	7,589	5,935

¹ For 2021, property, plant and equipment in Trelleborg Wheel Systems amounted to SEK 4,065 M, which in 2022 was classified as assets held for sale.

Depreciation of PPE by function

SEK M	2022	2021
Cost of goods sold	-647	-807
Selling expenses	-26	-36
Administrative expenses	-52	-57
Research & development costs	-31	-36
Other operating expenses	-4	-6
Total	-760	-942

Impairment of PPE by function

SEK M	Impairment losses		Reversed impairment losses	
	2022	2021	2022	2021
Cost of goods sold	-3	-3	-	-
Administrative expenses	-	-8	-	-
Other operating expenses	-5	-1	1	5
Items affecting comparability	-5	-49	2	-
Total	-13	-61	3	5

SEK M	Buildings		Land and land improvements		Plant and machinery		Equipment, tools, fixtures and fittings		New construction in progress and advance payments		Total property, plant and equipment	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Accumulated cost	4,578	5,616	895	1,152	11,445	15,927	2,260	2,725	1,436	1,147	20,614	26,567
Accumulated depreciation according to plan	-2,226	-2,622	-30	-43	-8,359	-11,191	-1,744	-2,094	-	-	-12,359	-15,950
Accumulated impairment losses	-213	-194	-38	-35	-345	-324	-19	-18	-51	-46	-666	-617
Total	2,139	2,800	827	1,074	2,741	4,412	497	613	1,385	1,101	7,589	10,000
Balance, January 1	2,800	2,815	1,074	1,069	4,412	4,290	613	639	1,101	1,255	10,000	10,068
Reclassification to assets held for sale	-1,074	-350	-411	-120	-2,066	-203	-185	-51	-329	-160	-4,065	-884
Effects of IAS 29 ²	45	-	75	-	34	-	3	-	-	-	157	-
Acquisitions	289	156	51	36	125	31	24	0	176	-	665	223
Divested operations	-	-	-	-	-9	-	-	-	-	-	-9	-
Capital expenditures	10	8	7	1	141	153	78	68	950	1,060	1,186	1,290
Divestments and disposals	-22	-130	-12	-41	-16	-13	-5	-3	-1	-3	-56	-190
Depreciation according to plan for the year	-137	-161	-6	-5	-491	-626	-126	-150	-	-	-760	-942
Impairment losses for the year	-5	-1	-	-	-7	-23	0	-10	-1	-27	-13	-61
Reversed impairment losses	-	0	-	-	3	3	-	1	-	1	3	5
Reclassifications	85	279	1	77	429	578	62	93	-585	-1,074	-8	-47
Exchange rate differences for the year	148	184	48	57	186	222	33	26	74	49	489	538
Total	2,139	2,800	827	1,074	2,741	4,412	497	613	1,385	1,101	7,589	10,000

² Relates to hyperinflation accounting for operation in Türkiye.

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.

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.

Critical estimates and judgments

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 previously, 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.

Right-of-use assets per type of lease

SEK M	Properties		Office premises		Cars		Forklifts		Machinery		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Balance, January 1	1,113	1,042	584	658	111	99	45	46	5	6	6	9	1,864	1,860
Reclassification to assets held for sale	-169	-16	-129	-12	-63	-4	-17	-2	-39	-4	-2	-	-419	-38
Acquisitions	54	13	0	5	3	0	1	0	3	-	2	-	63	18
Capital expenditures	45	181	36	25	39	58	4	14	1	3	2	5	127	286
Depreciation	-152	-216	-116	-111	-43	-61	-8	-16	-1	-1	-3	-3	-323	-408
Revaluations	56	61	27	32	5	18	3	2	2	1	0	2	93	116
Termination ¹	-11	-52	-5	-6	-4	-3	0	0	-	-	-	-	-20	-61
Exchange rate differences for the year	-76	100	226	-7	-9	4	-18	1	-1	0	0	-7	122	91
Total	860	1,113	623	584	39	111	10	45	-30	5	5	6	1,507	1,864

¹ Included on the line impairment of property, plant, and equipment in the consolidated cash-flow statements.

Amounts recognized in balance sheet

Lease liability recognized in balance sheet

SEK M	2022	2021
Current liabilities	318	376
Non-current liabilities	1,356	1,700
Total	1,674	2,076

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	2022	2021
Depreciation of right-of-use assets	323	309
Interest expenses for lease liabilities	53	51
Expenses attributable to short-term leases	9	7
Expenses attributable to low-value leases	8	6
Expenses attributable to variable lease payments	55	27

The total cash flow from leases during the year was SEK 375 M (354), of which SEK 322 M (303) referred to operating cash flow and SEK 53 M (51) to financing cash flow.

Future lease payments²

SEK M	2022	2021
Year 1	321	334
Years 2–5	716	831
Later than 5 years	695	703
Total	1,732	1,868

² For 2022, the amounts relate to continuing operations, while for 2021 they also include Trelleborg Wheel Systems.

Leases that have not yet commenced

The expected cash outflow for 2023 for leases that have not yet commenced as per December 31, 2022 amounted to SEK 11 M (21).

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 & 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.

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 business areas, 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. The assessment is based on currently known conditions and strategies for each business area. The same average

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 and the Group intends to retain and develop them.
- 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 5 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, macroeconomic 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.

long-term rate of growth is applied to both business areas since we believe the current and anticipated conditions for market development will be similar for both. The applied long-term rate of growth of 2 percent is considered to be conservative in view of historical developments, such as GDP growth. Changes in working capital and in capital expenditure requirements were also 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 of 8.7 percent (7.7) after tax was applied. Since the Group's business areas 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 given their conditions. Executive Management is of the opinion that no reasonable changes in the key assumptions will lead to the estimated total recoverable amount of the units being lower than their total carrying amount.

Intangible assets

SEK M	2022	2021
Capitalized expenditure ¹	285	468
Goodwill	20,818	18,792
Trademarks with indefinite useful lives	221	1,559
Market and customer-related intangible assets	4,840	2,067
Other intangible assets ²	398	296
Total	26,562	23,182

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.

Impairment of intangible assets by function

SEK M	2022	2021
Other operating expenses	–	–1
Items affecting comparability	–	–14
Total	–	–15

Intangible assets with indefinite useful lives by operating segment

SEK M	Goodwill		Trademarks	
	2022	2021 ³	2022	2021 ³
Trelleborg Industrial Solutions	5,926	5,228	221	201
Trelleborg Sealing Solutions	14,901	8,056	–	–
Group activities	–9	–9	–	–
Continuing operations	20,818	13,275	221	201

³ For 2021, goodwill within Trelleborg Wheel Systems amounted to SEK 5,517 M and trademarks with indefinite useful lives to SEK 1,358 M. Trelleborg Wheel Systems was classified as assets held for sale for 2022.

SEK M	Capitalized expenditure		Goodwill		Trademarks with indefinite useful lives		Market and customer-related intangible assets		Other intangible assets		Total intangible assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Accumulated cost	1,008	1,328	21,688	19,686	233	1,570	6,047	3,428	550	593	29,526	26,605
Accumulated depreciation according to plan	–716	–854	–	–	–	–	–1,015	–1,189	–151	–296	–1,882	–2,339
Accumulated impairment losses	–7	–6	–870	–894	–12	–11	–192	–172	–1	–1	–1,082	–1,084
Total	285	468	20,818	18,792	221	1,559	4,840	2,067	398	296	26,562	23,182
Balance, January 1	468	509	18,792	17,867	1,559	1,762	2,067	2,109	296	295	23,182	22,542
Reclassification to assets held for sale	–172	–32	–5,516	–63	–1,358	–248	–541	–21	–37	–16	–7,624	–380
Effects of IAS 29 ⁴	–	–	174	–	–	–	57	–	–	–	231	–
Acquisitions	0	2	6,471	167	–	–	3,421	94	28	–	9,920	263
Capital expenditures	16	10	–	–	–	–	–	–	96	99	112	109
Divestments and disposals	–	–1	–	–	–	–	–	–	–1	–3	–1	–4
Depreciation according to plan for the year	–65	–102	–	–	–	–	–244	–234	–7	–19	–316	–355
Impairment losses for the year	–	–3	–	–12	–	–	–	–	–	–	–	–15
Reclassifications	13	67	12	1	–	–	–12	1	–5	–66	8	3
Exchange rate differences for the year	25	18	885	832	20	45	92	118	28	6	1,050	1,019
Total	285	468	20,818	18,792	221	1,559	4,840	2,067	398	296	26,562	23,182
<i>Allocation of amortization for the year according to plan, by function</i>												
Cost of goods sold	–13	–36	–	–	–	–	–12	–62	–2	–3	–27	–101
Selling expenses	–2	–6	–	–	–	–	–3	–12	–	–1	–5	–19
Administrative expenses	–30	–44	–	–	–	–	–12	–11	–1	–13	–43	–68
Research & development costs	0	0	–	–	–	–	–	–	–1	–2	–1	–2
Other operating expenses	–20	–16	–	–	–	–	–217	–149	–3	–	–240	–165
Total	–65	–102	–	–	–	–	–244	–234	–7	–19	–316	–355

⁴ Relates to hyperinflation accounting for operation in Türkiye.

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. The requisite deduction for estimated obsolescence was conducted.

SEK M	2022	2021
Raw materials and consumables	1,930	1,690
Work in progress	765	692
Finished products and goods for resale	2,749	3,989
Advances to suppliers	19	24
Total	5,463	6,395

Impairment of obsolete inventories amounted to SEK 568 M (491). Aside from adjustments for obsolescence, we see no significant risk for further adjustments.

19 Current operating receivables

Accounting policies

Accounts receivable

Accounts receivable are recognized at amortized cost, see Note 31 for additional accounting policies. 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)

Critical estimates and judgments

Based on the above policies, 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	2022	2021
Accounts receivable	5,247	5,677
Loss allowance for expected credit losses	-123	-83
Bills receivable	98	98
Operating receivables, associated companies	-	1
Other current receivables	438	577
Derivative instruments (Note 32)	8	4
Prepaid expenses and accrued income (Note 20)	952	819
Total	6,620	7,093

Age analysis of accounts receivable

SEK M	2022	2021
Receivable not yet due	4,404	4,960
Receivables fallen due:		
≤30 days	563	454
31–60 days	106	125
61–90 days	52	32
>90 days	122	106
Total	5,247	5,677
Loss allowance for expected credit losses	-123	-83
Total	5,124	5,594

Loss allowance for expected credit losses

SEK M	2022	2021
Balance, January 1	83	100
Reclassification to assets held for sale	-27	-22
Reclassification between balance accounts	1	-1
New provisions recognized in profit and loss	69	25
Utilization of reserve attributable to identified credit loss	-6	-16
Reversals recognized in profit and loss	-4	-10
Acquisitions/divestments	1	1
Exchange rate differences	6	6
Total	123	83

20 Prepaid expenses and accrued income

SEK M	2022	2021
Interest	3	5
Pension costs	8	7
Tools	37	25
Derivative instruments (Note 32)	7	29
Accrued but not invoiced income, projects in progress	436	396
Prepaid insurance	50	55
Rents	26	29
Other	385	273
Total	952	819

21 Accrued expenses and prepaid income

SEK M	2022	2021
Interest	143	16
Wages and salaries	1,285	1,086
Payroll overheads	157	138
Pension costs	11	11
Tools	16	16
Derivative instruments (Note 32)	9	5
Invoiced but not accrued income, projects in progress	60	59
Accrued expenses, projects	214	131
Other overheads	115	185
Other	654	642
Total	2,664	2,289

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

The impairment model is applied to contract assets and loss allowance is conducted using an estimate of anticipated losses over the asset's expected useful life. No provision for contract assets was recognized during the year, since the amount was not deemed to be material. The Group tests the need for impairment on a continuous basis and at the end of every reporting period.

Contract assets ¹

SEK M	2022	2021
Contracted work in progress	404	353
Other contract assets	32	43
Total	436	396

¹ Contract assets are included in items Prepaid expenses and accrued income, Note 20, and in Other non-current receivables, Note 27.

The variation between the years in relation to contract assets and contract liabilities is due to the volume of projects for the respective years.

Contract liabilities ²

SEK M	2022	2021
Advance payment from customers	419	244
Contracted work in progress	20	46
Other contract liabilities	10	9
Total	449	299

² Contract liabilities are included in the items Accrued expenses and prepaid income and advance payments from customers, Note 21, and in Non-interest-bearing liabilities, Note 23.

Amounts recognized as income during the reporting period and included in contract liabilities at the start of the period.

SEK M	2022	2021
Advance payment from customers	187	93
Contracted work in progress	42	246
Other contract liabilities	9	9
Total	238	348

At the beginning of 2022, contract liabilities include discontinuing operations and amount to SEK 8.6 M. Income recognized in the reporting period for discontinuing operations is recorded in the income statement for discontinuing operations and amounts to SEK 9.9 M (60.7).

SEK M	2023	>2023
Remaining liability to be recognized as income	387	62
Total	387	62

Total transaction price distributed between unsatisfied performance obligations on the closing date.

SEK M	2023	2024	>2024	Total
Contracts longer than 12 months	87	81	109	277
Total	87	81	109	277

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	2022	2021
Other non-interest-bearing liabilities	86	84
Derivative instruments (Note 32)	-	118
Total	86	202

Other current liabilities

SEK M	2022	2021
Advance payment from customers	328	169
Accounts payable	2,598	4,002
Bills payable	15	5
Liabilities to associated companies	1	1
Other non-interest-bearing liabilities	397	636
Derivative instruments (Note 32)	42	60
Accrued expenses and prepaid income (Note 21)	2,664	2,289
Total	6,045	7,162
Total non-interest-bearing liabilities	6,131	7,364

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.

SEK M	Restructuring programs		Other provisions		Total	
	2022	2021	2022	2021	2022	2021
Balance, January 1	103	119	429	353	532	472
Reclassification to liabilities held for sale	-20	-9	-105	-37	-125	-46
Reclassification	-9	-	3	17	-6	17
Reversals	-9	-2	-37	-70	-46	-72
Provisions for the year	110	50	128	219	238	269
Acquisitions for the year	-	-	83	-	83	0
Utilized during the year	-47	-59	-17	-70	-64	-129
Exchange rate differences	8	4	29	17	37	21
Closing balance	136	103	513	429	649	532
Of which, non-current provisions					288	152
Of which, current provisions					361	380
Of which, provisions for environmental commitments					72	49

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.

25 Discontinuing operations and assets and liabilities held for sale

Accounting policies

The Group classifies non-current assets or a disposal group as being held for sale if its carrying amount will be recovered mainly through its divestment and not through its continued use. To meet this requirement, the asset (or disposal group) must be available for immediate sale in its present condition and subject only to such terms and conditions as are normal and customary for the divestment of such assets (or disposal groups). Furthermore, it must be highly likely that the divestment will be carried out. For a divestment to be viewed as highly likely, a plan to sell the asset (or disposal group) must have been decided at the appropriate level of executive management and active work must have commenced to identify a buyer and complete the plan. Furthermore, the asset (or disposal group) must be marketed at a price that is reasonable in relation to its current fair value. In addition, it should be expected that a completed divestment can be recognized within one year from the date of classification. An asset is not depreciated as long as it is classified as held for sale or as long as it is included in a disposal group that is classified as held for sale.

Income statement for discontinuing operations

SEK M	2022	2021
Net sales	14,615	11,961
Cost of goods sold	-10,874	-9,135
Gross profit	3,741	2,826
Selling expenses	-1,023	-928
Administrative expenses	-495	-532
Research & development costs	-126	-120
Other operating income	569	301
Other operating expenses	-263	-244
Share of profit or loss in associated companies	0	5
EBIT	2,403	1,308
Net financial items	-33	-63
Profit before tax	2,370	1,245
Income tax	-542	-238
Net profit	1,828	1,007

Cash-flow statement for discontinuing operations

SEK M	2022	2021
Cash flow from operating activities	1,495	1,348
Cash flow from investing activities	-429	271
Cash flow from financing activities	9,055	620
Total cash flow from discontinuing operations	10,121	2,239

Assets and liabilities held for sale

SEK M	2022	2021
Property, plant and equipment	5,225	478
Right-of-use assets	566	27
Intangible assets	8,849	497
Other non-current assets	213	106
Inventories	3,888	306
Current operating receivables	2,913	356
Other current assets	355	17
Cash and cash equivalents	835	36
Total assets	22,844	1,823
Deferred tax liabilities	598	151
Other non-current liabilities	570	56
Current liabilities	3,855	375
Total liabilities	5,023	582

Group's tire business

The Group signed an agreement in March 2022 to divest the Trelleborg Wheel Systems business area to Yokohama Rubber Company for EUR 2,100 m on a cash and debt-free basis. Less than 3 percent of the purchase consideration is subject to Trelleborg Wheel Systems' performance in 2022. The divestment is expected to be finalized during the first half of 2023.

Group's printing blanket operation

As of the first quarter of 2021, the Group's printing blanket operation has been reported as assets and liabilities held for sale and discontinuing operations. In the fourth quarter of 2021, an agreement was signed to divest the operations to Continental. The buyer has received the requisite approvals of all of the relevant authorities. Some formalities remain and the transaction is expected to be finalized during the first quarter of 2023.

Effect of divested operations on individual assets and liabilities in the Group ¹

SEK M	2022	2021
Property, plant and equipment	-	403
Intangible assets	-	25
Other non-current assets	-	0
Inventories	-	246
Current operating receivables	-	353
Other current assets	-	0
Cash and cash equivalents	-	80
Deferred tax assets/liabilities, net	-	43
Other non-current liabilities	-	-165
Current liabilities	-	-430
Divested assets and liabilities, net	-	555
Purchase consideration received	-	530
Less: Cash and cash equivalents in divested operations	-	-80
Impact on consolidated cash and cash equivalents, divested operations	-	450

¹ 2021 includes divestment of the offshore operations in the UK and Norway and the operation in technical rubber products in the Czech Republic. In 2022, no divestments of assets held for sale took place.

Capital structure and financing

26 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. For these items classified at amortized cost, the expected credit losses are recognized according to IFRS 9. The Group applies a rating-based method, refer to the Financial credit risk exposure section in Note 33. 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	2022	2021
Current bank investments	690	781
Cash and bank balances	3,234	2,679
Total	3,924	3,460

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 33.

27 Financial non-current assets

Accounting policies

Financial non-current assets are classified at amortized cost, except for derivative instruments. 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	2022	2021
Plan assets	20	2
Loan receivables	0	0
Non-current interest-bearing receivables at fair value	47	–
Derivative instruments (Note 32)	309	7
Other non-current receivables	80	33
Total	456	42

Carrying amount substantially corresponds with fair value.

28 Interest-bearing receivables

SEK M	2022	2021
Derivative instruments (Note 32)	417	107
Current bank investments	12	7
Total	429	114

For reserves for expected credit losses on current bank investments, refer to the description of cash and cash equivalents in Note 26.

29 Equity

Accounting policies

For accounting policies relating to other reserves, see the relevant parts of the description in Note 32.

Specification of other reserves

SEK M	Hedging reserve		Translation reserve		Total	
	2022	2021	2022	2021	2022	2021
Opening balance	-72	-168	2,083	550	2,011	382
<i>Cash-flow hedges, recognized in other comprehensive income</i>						
Fair value of interest rate swaps	421	123	–	–	421	123
Transfers to profit and loss, interest rate swaps	2	11	–	–	2	11
Fair value of foreign-exchange forwards	5	20	–	–	5	20
Transfers to profit and loss, foreign-exchange forwards	-20	-33	–	–	-20	-33
Cash-flow hedges, result for the period	408	121	–	–	408	121
<i>Tax, recognized in other comprehensive income</i>						
Tax on fair value	-88	-29	–	–	-88	-29
Tax on transfers to profit and loss	4	4	–	–	4	4
<i>Net investments in foreign currency, recognized in other comprehensive income</i>						
Changes for the period attributable to translation of companies after tax	–	–	3,771	1,754	3,771	1,754
<i>Hedging of net investments, recognized in other comprehensive income</i>						
Fair value of foreign-exchange forwards	–	–	-667	-192	-667	-192
Exchange rate effects, liabilities in foreign currencies	–	–	-299	-111	-299	-111
Hedging of net investments, result for the period	–	–	-966	-303	-966	-303
Tax on hedging of net investments	–	–	199	82	199	82
Closing balance	252	-72	5,087	2,083	5,339	2,011

Accumulated translation differences are recognized from January 1, 2004.

Of transfers from the hedging reserve to profit and loss in 2022, SEK 2 M (11) caused a decline in the Group's financial interest expenses and SEK 20 M caused an improvement in other operating income and operating expenses, respectively (33). 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 6.00 per share (5.50), a total of SEK 1,544 M (1,481). Trelleborg AB's share capital at December 31, 2022 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

	2022	2021
Change in total number of shares		
January 1	271,071,783	271,071,783
Change during the year	–	–
December 31	271,071,783	271,071,783
Of which, in treasury	13,691,970	–

Repurchase of own shares

	No. of shares	Amount that impacts equity, SEK M
Own shares repurchased, January 1	–	–
Repurchased during the year	13,691,970	-3,079
Canceled during the year	–	–
Own shares repurchased, December 31	13,691,970	-3,079

30 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 Interest-bearing non-current and current 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 32.

Interest-bearing non-current liabilities

SEK M	2022	2021
Liabilities to credit institutions	7,661	7,953
Other interest-bearing liabilities	12	13
Lease liabilities	1,356	1,700
Total	9,029	9,666

Interest-bearing current liabilities

SEK M	2022	2021
Liabilities to credit institutions	15,482	1,098
Bank overdraft facilities	28	14
Other interest-bearing liabilities	49	59
Lease liabilities	318	376
Derivative instruments (Note 32)	247	191
Total	16,124	1,738
Total interest-bearing liabilities	25,153	11,404

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 reduce the Group's non-current loans by SEK 49 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 are excluded.

Average interest and fixed-interest term as per December 31, 2022

	Amount SEK M		Effective interest rate, %		Fixed-interest term adjusted for any derivatives, No. of days	
	2022	2021	2022	2021	2022	2021
EUR	6,207	8,102	1.8	1.3	656	630
GBP	753	725	5.0	1.4	23	48
SEK	9,642	-1,153	3.0	0.5	68	-348
USD	6,972	2,371	2.7	3.1	176	629
Other	-95	-717	2.6	2.5	-7	44
Total	23,479	9,328	2.6	1.7	254	750
Lease liabilities	1,674	2,076				
Total interest-bearing liabilities	25,153	11,404				

As of 2019, interest-bearing liabilities include a lease liability 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.

Group's interest-bearing liabilities

The EUR 412 M and USD 572 M syndicated loan, with final maturity in 2026, 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 pension liabilities and lease liabilities). At year-end 2022, there was ample headroom in relation to these covenants.

The Group's interest-bearing liabilities (utilized amounts at closing date)

	2022		2021	
	SEK M	Expiry, year	SEK M	Expiry, year
Non-current				
Syndicated loan, USD tranche USD 572 M	1,827	2026	1,696	2026
Syndicated loan, CZK tranche CZK 6,750 M	599	2024	-	-
Medium Term Note SEK 1,000 M	1,000	2027	1,000	2027
Medium Term Note SEK 176 M	-	-	176	2023
Medium Term Note SEK 800 M	800	2025	800	2025
Medium Term Note SEK 626 M	626	2024	626	2024
Medium Term Note SEK 300 M	-	-	300	2023
Medium Term Note EUR 50 M	556	2029	511	2029
Bilateral money market loan EUR 150 M	1,670	2026	1,534	2026
Schuldscheindarlehen EUR 15 M	167	2027	153	2027
Schuldscheindarlehen EUR 10 M	111	2025	102	2025
Schuldscheindarlehen EUR 77 M	-	-	787	2023
Schuldscheindarlehen EUR 29 M	323	2026	297	2026
Lease liabilities	1,356	2024-2109	1,700	2023-2109
Capitalized borrowing costs	-18	2024-2029	-29	2023-2029
Other interest-bearing liabilities	12	2024	13	2023
Total non-current	9,029		9,666	
Current				
Commercial paper program	3,399	2023	-	-
Bridge financing	9,915	2023	-	-
Bilateral money market loan EUR 75 M	835	2023	-	-
Medium Term Note SEK 176 M	176	2023	-	-
Medium Term Note SEK 300 M	300	2023	-	-
Medium Term Note SEK 98 M	-	-	98	2022
Medium Term Note SEK 300 M	-	-	300	2022
Medium Term Note SEK 200 M	-	-	200	2022
Medium Term Note SEK 500 M	-	-	500	2022
Schuldscheindarlehen EUR 77 M	857	2023	-	-
Lease liabilities	318	2023	376	2022
Bank overdraft facilities	28	2023	14	2022
Other interest-bearing liabilities	49	2023	59	2022
Derivative instruments	247	2023	191	2022
Total current	16,124		1,738	
Total	25,153		11,404	

Loan facilities

SEK M	2022			2021		
	Total	Utilized	Unutilized	Total	Utilized	Unutilized
<i>Committed loan facilities</i> ¹						
Syndicated loan EUR 412 M + USD 572 M (expires 2026)	10,555	1,827	8,728	9,386	1,696	7,690
Syndicated loan CZK 6,750 M (expires 2024)	3,110	599	2,511	2,771	-	2,771
Bridge financing	9,915	9,915	-	-	-	-
Revolving loan	-	-	-	500	-	500
Overdraft facilities (expire 2023)	200	-	200	200	-	200
Total	23,780	12,341	11,439	12,857	1,696	11,161
<i>Non-committed loan facilities</i>						
Bilateral credit facilities	835	-	835	1,534	-	1,534
Bank overdraft facilities	2,105	28	2,077	1,786	14	1,772
Total	2,940	28	2,912	3,320	14	3,306
Total credit facilities	26,720	12,369	14,351	16,177	1,710	14,467

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.

31 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 initial carrying amount 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 material 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.

Impairment 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 a 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 33 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 operating profit (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.

A description of the respective categories and the calculation of fair value is presented under the accounting policies section and under the table below.

Classification of financial assets

At December 31, 2022	Assets measured at amortized cost		Assets at fair value through profit and loss		Derivatives used for hedging purposes, measured at fair value		Total
	Carrying amount	Carrying amount	Measure-ment level	Carrying amount	Measure-ment level		
						SEK M	
<i>Assets in the balance sheet</i>							
Derivative instruments	–	418	2	323	2	741	
Financial non-current assets	100	47	3	–	–	147	
Accounts receivable	5,124	–	–	–	–	5,124	
Interest-bearing receivables	12	–	–	–	–	12	
Cash and cash equivalents	3,924	–	–	–	–	3,924	
Total	9,160	465		323		9,948	

Classification of financial liabilities

At December 31, 2022	Liabilities measured at amortized cost		Liabilities at fair value through profit and loss		Derivatives used for hedging purposes, measured at fair value		Total
	Carrying amount	Carrying amount	Measure-ment level	Carrying amount	Measure-ment level		
						SEK M	
<i>Liabilities in the balance sheet</i>							
Derivative instruments	–	60	2	238	2	298	
Interest-bearing non-current liabilities	7,673	–	–	–	–	7,673	
Interest-bearing current liabilities	15,510	49	3	–	–	15,559	
Lease liabilities	1,674	–	–	–	–	1,674	
Accounts payable	2,598	–	–	–	–	2,598	
Total	27,455	109		238		27,802	

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

A financial interest-bearing receivable totaling SEK 47 M (0) is recognized at fair value. Interest-bearing current liabilities include additional purchase payments according to contract in the amount of SEK 49 M (59). An assessment of the most likely outcome has been determined. The present value of this amount has been calculated.

Disclosures on fair value of borrowing and other financial instruments

Financial interest-bearing liabilities, except financial derivatives that adjust the loans and additional purchase payments according to contract, 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 reduce the Group's non-current loans by SEK 49 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.

Classification of financial assets

At December 31, 2021	Assets measured at amortized cost		Assets at fair value through profit and loss		Derivatives used for hedging purposes, measured at fair value		Total
	Carrying amount	Carrying amount	Measure-ment level	Carrying amount	Measure-ment level		
						SEK M	
<i>Assets in the balance sheet</i>							
Derivative instruments	–	101	2	46	2	147	
Financial non-current assets	35	–	–	–	–	35	
Accounts receivable	5,594	–	–	–	–	5,594	
Interest-bearing receivables	7	–	–	–	–	7	
Cash and cash equivalents	3,460	–	–	–	–	3,460	
Total	9,096	101		46		9,243	

Classification of financial liabilities

At December 31, 2021	Liabilities measured at amortized cost		Liabilities at fair value through profit and loss		Derivatives used for hedging purposes, measured at fair value		Total
	Carrying amount	Carrying amount	Measure-ment level	Carrying amount	Measure-ment level		
						SEK M	
<i>Liabilities in the balance sheet</i>							
Derivative instruments	–	39	2	335	2	374	
Interest-bearing non-current liabilities	7,966	–	–	–	–	7,966	
Interest-bearing current liabilities	1,112	59	3	–	–	1,171	
Lease liabilities	2,076	–	–	–	–	2,076	
Accounts payable	4,002	–	–	–	–	4,002	
Total	15,156	98		335		15,589	

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, 2022			At December 31, 2021		
	Financial assets	Financial liabilities	Total	Financial assets	Financial liabilities	Total
Gross amount	741	–298	443	147	–374	–227
Amount offset	–	–	–	–	–	–
Recognized in balance sheet	741	–298	443	147	–374	–227
Amounts encompassed by netting agreements	–298	298	0	–112	112	0
Net amount after netting agreements	443	0	443	35	–262	–227

32 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 hedged 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.

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 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 borrowings. 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.

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 accumulated in equity, translation reserve.

Derivative instruments are mainly used to hedge the Group's exposure to fluctuations in exchange rates and interest rates. The Group also use 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 normally not hedged.

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.

The table below shows where the Group's financial derivative instruments are recognized in the balance sheet.

SEK M	2022	2021
Financial non-current assets	309	7
Prepaid expenses and accrued income	7	29
Current operating receivables	8	4
Interest-bearing receivables	417	107
Total receivables, financial derivatives	741	147
Other non-current liabilities	-	118
Accrued expenses and prepaid income	9	5
Other current operating liabilities	42	60
Interest-bearing current liabilities	247	191
Total liabilities, financial derivatives	298	374

For credit exposure in derivatives, see Note 33.

SEK M Type and purpose of Group's financial derivative instruments	2022		2021	
	Assets Fair value	Liabilities Fair value	Assets Fair value	Liabilities Fair value
Interest rate swaps – cash-flow hedging	316	41	9	178
Foreign-exchange forwards – cash-flow hedging	7	9	30	5
Foreign-exchange forwards – net investment hedging	–	188	7	152
Foreign-exchange forwards – financing of subsidiaries	418	60	101	39
Total	741	298	147	374

The nominal amount of interest rate swaps outstanding totaled SEK 6,756 M (7,810).

Derivatives with hedge accounting

Cash-flow hedging – Interest rate swaps

In the closing balance of the hedging reserve in equity, SEK 309 M (–113) before tax relates to the fair value of interest rate swaps.

At unchanged interest and exchange rates, this value will impact earnings by SEK 1 M in 2023, by SEK 11 M in 2024, by SEK 69 M in 2025, by SEK 55 M in 2026, by SEK 130 M in 2027, and by SEK 43 M in 2028. 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 net of SEK 5 M (20).

At unchanged exchange rates, a transfer of SEK 5 M will be made in profit and loss in 2023, 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 33.

If cash-flow hedges related to transaction exposure were valued using exchange rates applicable on December 31, 2021, the fair value would amount to SEK 40 M (18), of which SEK 36 M (14) would be included in the hedging reserve.

Taking into account implemented hedging measures, the Group has only a limited currency risk in other financial receivables and liabilities in foreign currencies.

Hedge effectiveness

SEK M	Effects of hedge accounting on financial position and profit or loss		Hedging instrument identified in hedging relationships at December 31, 2022		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	–6,756	310	Financial non-current assets, Other non-current liabilities and Other current operating liabilities	423	423	
<i>Foreign-exchange forwards – net investment hedging</i>						
EUR/SEK Nominal amount ¹	–6,988	–127	Interest-bearing receivables and Interest-bearing liabilities	–566	–566	
CZK/SEK Nominal amount ¹	–451	–15	Interest-bearing receivables and Interest-bearing liabilities	–50	–50	
Other Nominal amount ¹	–866	–40	Interest-bearing receivables and Interest-bearing liabilities	–51	–51	
<i>Liabilities – net investment hedging</i>						
EUR liability, nominal amount ¹	–2,226	–2,226	Interest-bearing non-current liabilities	–180	–180	
USD liability, nominal amount ¹	–887	–887	Interest-bearing non-current liabilities	–118	–118	

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 net of SEK 5 M before tax. The Group has decided that from autumn 2018 it will normally no longer hedge estimated future commercial flows, which means that exchange rate effects 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 continue to be hedged in their entirety.

Maturity analysis of hedging instruments

Hedging instrument identified in hedging relationships at December 31, 2022

SEK M	Maturity				Total nominal amount
	Within 3 months	3 months – 1 year	1–3 years	3–8 years	
<i>Hedging instruments – hedge accounting applied</i>					
<i>Interest rate swaps – cash-flow hedging</i>					
Nominal amount ¹ (average fixed interest)	–1,772 (0.64)	–	–3,003 (1.79)	–1,981 (0.06)	–6,756
<i>Foreign-exchange forwards – net investment hedging</i>					
EUR/SEK Nominal amount ¹ (average spot rate)	–6,988 (10.93)	–	–	–	–6,988
CZK/SEK Nominal amount ¹ (average spot rate)	–451 (0.45)	–	–	–	–451
Other Nominal amount ¹	–866	–	–	–	–866
<i>Liabilities – net investment hedging</i>					
EUR liability, nominal amount ¹ (average spot rate)	–	–	–	–2,226 (10.24)	–2,226
USD liability, nominal amount ¹ (average spot rate)	–887 (10.70)	–	–	–	–887

¹ Translated to SEK M at exchange rate on closing date.

Financial risks

33 Financial risk management

The information in this note relates to the Group in its entirety, including both continuing operations and assets and liabilities held for sale.

In its capacity as a net borrower and through its extensive operations outside Sweden, Trelleborg is exposed to various financial risks, such as financing risk, liquidity risk, interest rate risk, currency risk, and financial credit risk. Trelleborg's Board of Directors has adopted a policy governing how these risks are to be managed and this policy also regulates the delegation scheme for the Group's financial risk management.

The Group's financial administration is centralized to Group Treasury, which ensures that the financial risks are satisfactorily managed, within the scope of the adopted policy, and reports the actual outcome to the Board on a monthly basis.

A description of the Group's financial risks and the policy 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 tenor 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 412 M and USD 572 M. This facility also includes 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 Domestic Commercial Paper Program. 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 with an associated Green Financing Framework and a number of Schuldschein issues, thus building a broad investor base.

The Group monitors its liquidity reserve, debt maturity term structure, and key financial ratios on an ongoing basis.

Throughout 2022, the volume of the Group's committed credit facilities exceeded the aggregate of gross debt plus the liquidity reserve as stipulated in the policy. Credit facilities are defined as committed when they are subject to a firm lending commitment by the lender. Trelleborg's committed credit facilities totaled SEK 23,780 M (12,857) as per December 31, 2022, of which SEK 11,439 M (11,161) was unutilized. At year-end 2022, the Group's primary committed credit facility was the EUR 412 M and USD 572 M syndicated multicurrency revolving credit facility. This facility was entered into in February 2019 and will mature in February 2026. The facility is provided by a total of 12 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 as per end of 2022 consisted principally of Medium Term Notes and Schuldscheindarlehen with remaining tenors to maturity of up to seven years.

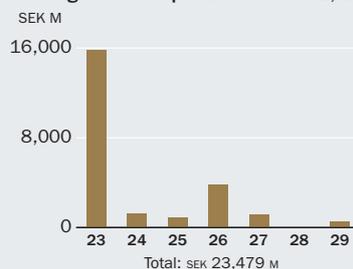
On account of the announced divestment of Trelleborg Wheel Systems, Trelleborg did not raise new long-term financing in 2022 but instead bridged its financing needs with short-term financing, primarily through the issuance of commercial paper and money-market loans.

In September 2022, Trelleborg raised a money-market loan in the form of a bridge loan to finance the acquisition of Minnesota Rubber & Plastics. The loan amounts to USD 950 M with a tenor of two years but falls due when the divestment of Trelleborg Wheel Systems has been finalized. Since it is highly likely that the divestment of Trelleborg Wheel Systems will be completed in the first half of 2023, this loan is recognized as current.

Including the lease liability of SEK 2,215 M (2,102) and pension liability of SEK 438 M (548), interest-bearing liabilities amounted to SEK 26,132 M (11,978) as per December 31, 2022. Excluding the impact of the lease liability and pension liabilities, interest-bearing liabilities totaled SEK 23,479 M (9,328) and comprised current liabilities (maturing in 2023) of SEK 15,806 M (1,362) and non-current liabilities (maturing after 2023) of SEK 7,673 M (7,966). Current liabilities comprised primarily the bridge financing of SEK 9,915 M and commercial paper of SEK 3,399 M. Non-current liabilities mainly comprised the utilized portion of the Group's EUR 412 M and USD 572 M

syndicated multicurrency revolving credit facility, MTNs, Schuldscheindarlehen, and a bilateral money market loan. The maturity term of the Group's interest-bearing liabilities, excluding the lease liability and pension liabilities, as per December 31, 2022 is shown in the diagram below:

Maturity term structure of the Group's interest-bearing liabilities per December 31, 2022



The Group's net debt/equity ratio, excluding the lease liability and pension liabilities, amounted to 49 percent (17) at year-end.

Interest rate risk

Risk

Since most of Trelleborg's net debt bears variable interest rate, 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 leases

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 plus 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.

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.

Net debt at year-end 2022 amounted to SEK -20,897 M (-8,367). The closing net debt was impacted by net cash flow for the year including corporate acquisitions, negative exchange rate differences and cash flow for leases and pension liability. Excluding the lease liability of SEK -2,215 M (-2,102) and pension liability of SEK -438 M (-548), net debt amounted to SEK -18,244 M (-5,717).

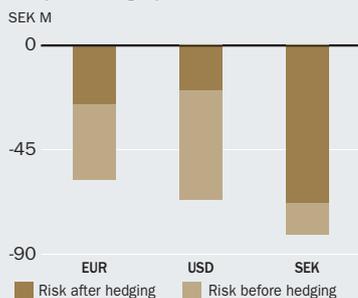
Excluding the impact of leases and pension liabilities, the Group's average interest-bearing net debt was SEK -10,152 M (-6,853) for the year. Net financial items corresponded to 1.9 percent (1.9) of the average interest-bearing net debt. Net interest income, excluding borrowing costs, exchange rate differences and measurements at fair value, corresponded to 1.7 percent (1.8).

Including the impact of leases and pension liabilities, the average interest-bearing net debt was SEK -12,762 M (-9,549). Net financial items corresponded to 2.1 percent (2.1) and net interest income, excluding borrowing costs, exchange rate differences, and measurements at fair value, corresponded to 1.9 percent (2.1). Excluding the impact of leases and pension liabilities, gross loans at year-end had an average fixed-interest term of 8 months (25) and interest-bearing investments 1 month (0.5). The change in the average fixed interest term of gross loans was mainly impacted by the bridge financing, with a short fixed-interest term, and

interest rate swaps that have matured. At December 31, 2022, interest-bearing net debt amounted to SEK –18,244 M (–5,717), with an average remaining fixed-interest term of about 11 months (41). Based on the level of interest-bearing net debt on December 31, 2022, 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 116 M (pos: 2) for 2023. The currencies with the greatest impact are EUR, USD and SEK. Taking into account the interest rate hedges in place at year-end 2023, 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 79 M (119) after tax effects.

For further analysis of the accounting of the Group's borrowing, see Note 30. Outstanding interest-bearing investments are recognized in Notes 26, 27 and 28.

Impact in 2023 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 effects. Foreign-exchange risk exists in the form of transaction and translation risks.

Transaction risk

Risk

Currency flows arising primarily in connection with the purchase 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 recurring business is normally not 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 the currency exposure and related transaction costs.

Commentary

The Group's net currency flows are estimated at an annual value corresponding to approximately SEK 8,094 M (8,256). The currencies with the highest net flows that are expected to exceed the equivalent of SEK 300 M over a period of 12 months, and the amounts hedged per currency at December 31, 2022, 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 2023 against USD would lead to a change in USD-denominated net flows of USD +2 M (–4). A 10-percentage-point strengthening of the value of all foreign currency flows that Trelleborg forecasts to occur during 2023 against EUR would lead to a change in EUR-denominated net flows of EUR –20 M (–18). A 10-percentage-point strengthening of SEK in relation to all currencies would lead to a change in the total net flows of SEK –14 M (–75).

Forecast annual exposure per currency with the highest 12-month net flow and currency hedges as of December 31, 2022 (SEK M)

Currency	Net flow	Currency hedging	Net flow after currency hedging
EUR	2,163	67	2,230
USD	1,301	–423	878
CZK	–869	–	–869
LKR	–859	–	–859
CNY	–374	–	–374
GBP	–366	35	–331
TRY	–328	–	–328
DKK	–303	–	–303

Translation risk – Income statement

Risk

Exchange rate effects 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 effects on sales and earnings can be significant. The translation of foreign subsidiaries' income statements for continuing operations, including items affecting comparability, for 2021 to the average exchange rates for 2022 would have impacted net sales by SEK 2,035 M, EBIT by SEK 259 M and net profit by SEK 222 M.

Translation of income statement for 2021 to exchange rates applicable in 2022, SEK M

Currency	Net sales	EBIT	Net profit
EUR	343	32	49
GBP	92	14	23
USD	1,110	109	59
CZK	57	–1	28
Other	433	105	63
Total	2,035	259	222

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 change in shareholders' equity of SEK –450 M (–312).

Currency distributions, degree of hedging, and sensitivity analysis are presented on the table below.

Currency distributions, degree of hedging and sensitivity analysis as per December 31, 2022

Currency	Net investment, SEK M	Currency hedging, %	Effect on equity, if SEK 1% stronger, SEK M
EUR	23,261	40	–160
GBP	2,543	–	–30
USD	14,099	6	–130
CZK	2,537	18	–20
Other	11,990	7	–110
Total 2022	54,430	21	–450
Total 2021	39,487	26	–312

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 past studies of payment cancellation conducted by rating institutes. 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 (A1/stab), Standard & Poor's (A+/stab), Fitch (A+/stab). 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), Standard & Poor's (A-/stab), Fitch (A-/stab). 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. Exposure to counterparties in category C may not exceed SEK 50 M per counterparty. Exposure to counterparties outside investment grade in category C exist to fulfil certain subsidiaries' needs of bank relationships in some countries where the country in itself results in a rating of below investment grade.

The table below presents the Group's credit risk exposure for interest-bearing receivables, cash, and cash equivalents and derivative instruments at December 31, 2022, subdivided by category:

Financial credit risk exposure

Category	Interest-bearing receivables		Cash and cash equivalents		Derivative instruments - unrealized gains, gross		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	SEK M							
A	11	-	3,427	1,956	454	57	3,892	2,013
B	1	7	840	1,314	33	55	874	1,376
C	-	-	492	227	254	35	746	262
Total	12	7	4,759	3,497	741	147	5,512	3,651

At year-end 2022, cash and cash equivalents in category A were allocated among 24 counterparties. Credit exposures in category A amounted to less than SEK 1,000 M per counterparty, except for one counterparty where the balance was SEK 1,114 M. At year-end 2022, the total credit exposure in category B was allocated among 16 counterparties. Credit exposures in category B amounted to less than SEK 500 M per counterparty. At year-end 2022, the total credit exposure in category C was allocated among 34 counterparties. Credit exposures in category C amounted to less than SEK 50 M per counterparty, except for one counterparty where the balance was SEK 81 M. In 2022, the Board also granted a counterparty, who would otherwise have been included in category C, an expanded limit to SEK 150 M due to certain limiting circumstances. Exposure to this counterparty was below the granted limit.

Credit risk exposure associated with derivative instruments is determined as the fair value on the closing date. On December 31, 2022, the total counterparty risk associated with derivative instruments amounted to SEK 741 M (147), gross. If ISDA agreements are taken into account and the net receivable in derivative instruments is calculated net per counterparty, the counterparty risk amounted to SEK 443 M (35).

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 47 M (0) due from third parties.

Management does not anticipate any losses due to non-payment by these counterparties.

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, 2022

SEK M	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Later than 5 years	Total
Borrowing, incl. interest	-18,449	-1,963	-3,267	-581	-24,260
Accounts payable	-5,198	-	-	-	-5,198
Total	-23,647	-1,963	-3,267	-581	-29,458
Accounts receivable	7,696	-	-	-	7,696
Interest rate swaps with positive fair value	55	59	-	-	114
Net flow	-15,896	-1,904	-3,267	-581	-21,648

The Group's liquidity reserve covers financial liabilities maturing within 12 months. A more detailed maturity structure is presented in Note 30.

At December 31, 2021

SEK M	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Borrowing, incl. interest	-1,247	-2,084	-4,535	-1,685	-9,551
Interest rate swaps with negative fair value	-52	-49	-4	0	-105
Accounts payable	-4,187	-	-	-	-4,187
Total	-5,486	-2,133	-4,539	-1,685	-13,843
Accounts receivable	5,861	-	-	-	5,861
Net flow	375	-2,133	-4,539	-1,685	-7,982

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, 2022

SEK M	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Foreign-exchange forwards					
- outflow	-35,426	-25	-	-	-35,451
- inflow	35,612	25	-	-	35,637
Total	186	0	-	-	186

At December 31, 2021

SEK M	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Foreign-exchange forwards					
- outflow	-15,288	-16	-	-	-15,304
- inflow	15,235	16	-	-	15,251
Total	-53	0	-	-	-53

Other

34 Contingent liabilities and pledged assets

SEK M	2022	2021
<i>Contingent liabilities</i>		
Guarantees and other contingent liabilities	23	146
Total	23	146
<i>Pledged assets</i>		
Plant and machinery	13	9
Total	13	9

Of the Group's contingent liabilities, SEK 13 M (137) relates to contractual obligations for divested companies.

Parent Company

PARENT COMPANY INCOME STATEMENTS

SEK M	Note	2022	2021
Net sales	36	645	465
Administrative expenses	37, 39, 43, 48	-415	-359
Other operating income	37, 38	7	3
Other operating expenses	37, 38	-351	-294
EBIT		-114	-185
Financial income and expenses	40	8,088	4,386
Profit before appropriations and tax		7,974	4,201
Appropriations	57	94	180
Income tax	41	-106	5
Net profit		7,962	4,386

Statements of comprehensive income

SEK M	2022	2021
Net profit	7,962	4,386
Other comprehensive income	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive income	7,962	4,386

PARENT COMPANY CASH-FLOW STATEMENTS

SEK M	2022	2021
Operating activities		
EBIT	-114	-185
Adjustment for items not included in cash flow:		
Depreciation of property, plant and equipment	2	2
Amortization of intangible assets	6	6
Divestments and disposals	-	-
Other items not included in cash flow	4	14
	-102	-163
Cash dividend received	8,366	4,692
Interest received and other financial items	6	-
Interest paid and other financial items	-279	-101
Tax paid/received	-101	-2
Cash flow from operating activities before changes in working capital	7,890	4,426
Cash flow from changes in working capital		
Change in operating receivables	3	-99
Change in operating liabilities	5	5
Cash flow from operating activities	7,898	4,332
Investing activities		
Acquisition of subsidiaries/capital contribution	-7,161	-449
Divestment of subsidiaries	2,061	100
Gross capital expenditures for property, plant and equipment	-2	-1
Gross capital expenditures for intangible assets	-1	-2
Cash flow from investing activities	-5,103	-352
Financing activities		
Group contributions received	179	133
Group contributions paid	0	0
Change in interest-bearing liabilities	1,585	-2,757
Dividend paid – shareholders of the Parent Company	-1,481	-1,355
Repurchase of own shares	-3,079	-
Cash flow from financing activities	-2,796	-3,979
Cash flow for the year	-1	1
Cash and cash equivalents		
Opening balance, January 1	1	-
Cash and cash equivalents, December 31	-	1

PARENT COMPANY BALANCE SHEETS

December 31, SEK M	Note	2022	2021
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	46	11	11
Intangible assets	47	13	18
Financial non-current assets	45, 53	41,960	36,865
Deferred tax assets	42	60	63
Total non-current assets		42,044	36,957
<i>Current assets</i>			
Current operating receivables	49	179	182
Current tax assets		1	3
Interest-bearing receivables	54	96	181
Cash and cash equivalents		–	1
Total current assets		276	367
TOTAL ASSETS		42,320	37,324
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		2,746	2,920
Net profit for the year		7,962	4,386
Total non-restricted equity		10,708	7,306
Total equity	56	14,458	11,056
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	55	0	0
Pension obligations	44	0	0
Other provisions	52	64	60
Total non-current liabilities		64	60
<i>Current liabilities</i>			
Interest-bearing current liabilities	55	27,631	26,046
Other current liabilities	50, 51	167	162
Total current liabilities		27,798	26,208
TOTAL EQUITY AND LIABILITIES		42,320	37,324

CHANGE IN EQUITY

Equity SEK M	Restricted equity		Non-restricted equity		Total equity	
	2022	2021	2022	2021	2022	2021
Opening balance, January 1	3,750	3,750	7,306	4,275	11,056	8,025
<i>Changes for the year:</i>						
Repurchase of own shares	–	–	–3,079	–	–3,079	–
Dividend	–	–	–1,481	–1,355	–1,481	–1,355
Net profit for the year	–	–	7,962	4,386	7,962	4,386
Closing balance, December 31	3,750	3,750	10,708	7,306	14,458	11,056

See also Note 29 and 56.

Sales and earnings

35 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 does not apply IFRS 9 Financial Instruments: Recognition and Measurement. The Parent Company applies a method based on cost in accordance with the Annual Accounts Act.
- The Parent Company applies the exception from application of IFRS 16 Leases. Lease costs are charged to profit and do not impact the balance sheet.

36 Net sales per geographic market/country

SEK M	2022	2021
US	160	100
Germany	102	65
Sweden	55	40
Italy	49	37
UK	43	35
France	39	23
Czech Republic	36	40
Other countries	161	125
Total	645	465

Net sales refers to sales of Group-wide services to other Group companies and is broken down by each significant country as outlined above.

37 Expenses by nature

SEK M	2022	2021
Employee benefits	-151	-169
Depreciation/amortization	-8	-7
Other external costs	-256	-183
Other operating income/expenses (Note 38)	-344	-291
Total	-759	-650

38 Other operating income and expenses

SEK M	2022	2021
Exchange rate differences	7	3
Other	0	0
Total other operating income	7	3
Purchase of services from other Group companies	-296	-235
Exchange rate differences	-8	-2
Other	-47	-57
Total other operating expenses	-351	-294
Total	-344	-291

39 Auditor's remuneration

SEK M	2022	2021
Deloitte		
Audit assignment	5	6
Audit activities other than audit assignment	1	1
Other services	0	0
Total	6	7

40 Financial income and expenses

SEK M	2022	2021
<i>Income from participations in Group companies</i>		
Dividend	8,366	4,692
Impairment losses on shares in subsidiaries	-435	-199
Loss/gain on divestment/liquidation of subsidiary	430	-6
Total	8,361	4,487
<i>Other interest income and similar profit items</i>		
Interest income, Group companies	-	-
Interest income, other	0	0
Exchange rate differences	-	-
Total	0	0
<i>Interest expenses and similar loss items</i>		
Interest expenses, Group companies	-279	-101
Interest expenses, other	0	0
Exchange rate differences	6	0
Total	-273	-101
Total financial income and expenses	8,088	4,386

41 Income tax

SEK M	2022	2021
<i>Current tax expenses</i>		
Tax expenses/revenue for the period	-103	-2
Adjustment of tax attributable to prior years	-	-
Total	-103	-2
<i>Deferred tax expenses (-)/revenue (+)</i>		
Change in losses carried forward	1	-1
Change in temporary differences	-4	8
Total	-3	7
Total recognized tax expense	-106	5
<i>Reconciliation of tax</i>		
Profit before appropriations and tax	7,974	4,201
Calculated Swedish income tax, 20.6% (21.4)	-1,643	-865
Non-taxable dividends/income from shares in subsidiaries	1,812	965
Non-deductible impairment losses	-90	-41
Other non-deductible expenses/non-taxable revenue	-3	-3
Tax effect of transferred negative net interest income to other Group companies	-57	-19
Tax at source on dividend	-103	-2
Remeasurement of temporary differences	-3	7
Group contributions received	-19	-37
Group contributions paid	0	0
Tax attributable to prior years	-	-
Tax effect as share in foreign tax-transparent legal entity	-	-
Impact of changed tax rates and tax regulations	-	-
Total recognized tax expense	-106	5

The applicable tax rate is 20.6 percent (20.6).

42 Change in deferred tax

SEK M	Losses carried forward		Provisions		Non-current assets		Total deferred tax assets	
	2022	2021	2022	2021	2022	2021	2022	2021
Balance, January 1	10	11	54	47	-1	-2	63	56
<i>Recognized in profit and loss:</i>								
Change in losses carried forward	1	-1	-	-	-	-	1	-1
Tax attributable to prior years	-	-	-	-	-	-	-	-
Temporary differences	-	-	-4	7	0	1	-4	8
Balance, December 31	11	10	50	54	-1	-1	60	63

See also Note 41.

Employees

43 Employees and employee benefits

Average number of employees

	2022			2021		
	Women	Men	Total	Women	Men	Total
Sweden	27	47	74	35	46	81

Gender distribution in executive management positions, %		2022	2021
<i>Percentage of women</i>			
in executive positions		0	0
on Board of Directors		43	43

Employee benefits, other remuneration and payroll overheads

2022	Board and President	Other members of Group Management	Other employees	Total salaries	Payroll overheads	Of which, pension costs
SEK M						
Sweden	32	14	50	96	50	20

See also Note 10.

2021	Board and President	Other members of Group Management	Other employees	Total salaries	Payroll overheads	Of which, pension costs
SEK M						
Sweden	33	15	55	103	60	20

See also Note 10.

Operating assets and liabilities

45 Participations in Group companies

SEK M	2022	2021
Opening balance	36,865	36,721
<i>Add:</i>		
Acquisitions	0	–
Capital contributions	7,161	449
<i>Less:</i>		
Divestment/winding-up	–1,631	–106
Impairment losses	–435	–199
Total	41,960	36,865

See also Note 13.

46 Property, plant and equipment

SEK M	2022	2021
Improvement expenses on buildings owned by others	7	8
Equipment, tools, fixtures and fittings	4	3
Total	11	11

SEK M	Improvement expenses on buildings owned by others		Equipment, tools, fixtures and fittings		Total PPE	
	2022	2021	2022	2021	2022	2021
<i>Accumulated cost</i>						
Balance, January 1	25	25	17	16	42	41
Capital expenditures	–	–	2	1	2	1
Divestments and disposals	–	–	–1	0	–1	0
Accumulated cost, December 31	25	25	18	17	43	42
<i>Accumulated depreciation according to plan</i>						
Balance, January 1	–17	–16	–14	–14	–31	–30
Divestments and disposals	–	–	1	0	1	0
Depreciation according to plan for the year	–1	–1	–1	–1	–2	–2
Accumulated depreciation, December 31	–18	–17	–14	–14	–32	–31
Total	7	8	4	3	11	11

44 Pension obligations

SEK M	2022	2021
Pension provisions and similar items	0	0
Total	0	0

Pensions and similar costs amounted to SEK 20 M (20).

Trelleborg AB has entered into leases. Lease costs for assets held via leases are recognized as operating costs and amounted to SEK 1 M (3). Future payments for non-cancellable lease commitments amount to SEK 1 M (3) and fall due as follows:

SEK M	2022	2021
Year 1	1	1
Years 2–5	0	2
Total	1	3

47 Intangible assets

SEK M	2022	2021
Capitalized expenditure for IT	13	18
Total	13	18

SEK M	Capitalized expenditure for IT	
	2022	2021
<i>Accumulated cost</i>		
Balance, January 1	52	50
Capital expenditures	1	2
Accumulated cost, December 31	53	52
<i>Accumulated depreciation according to plan</i>		
Balance, January 1	–34	–28
Depreciation according to plan for the year	–6	–6
Accumulated depreciation, December 31	–40	–34
Total	13	18

48 Depreciation of PPE and amortization of intangible assets

SEK M	2022	2021
Improvement expenses on buildings owned by others	–1	–1
Equipment, tools, fixtures and fittings	–1	–1
Capitalized expenditure for IT	–6	–6
Total	–8	–8

49 Current operating receivables

SEK M	2022	2021
Operating receivables, Group companies	59	43
Other current receivables	82	103
Prepaid expenses and accrued income	38	36
Total	179	182

50 Other current liabilities

SEK M	2022	2021
Accounts payable	58	38
Operating liabilities, Group companies	54	66
Other non-interest-bearing liabilities	4	4
Accrued expenses and prepaid income (Note 51)	51	54
Total	167	162

51 Accrued expenses and prepaid income

SEK M	2022	2021
Wages and salaries	32	33
Payroll overheads	10	11
Other	9	10
Total	51	54

52 Other provisions

SEK M	2022	2021
Provision for long-term incentive program	16	9
Other provisions	48	51
Total	64	60

Capital structure and financing**53 Financial non-current assets**

SEK M	2022	2021
Participations in Group companies (Note 13 and Note 45)	41,960	36,865
Other non-current securities holdings	0	0
Total	41,960	36,865

54 Interest-bearing receivables

SEK M	2022	2021
Financial receivables, Group companies	96	181
Total interest-bearing receivables	96	181

55 Interest-bearing liabilities

SEK M	2022	2021
Other non-current interest-bearing liabilities, Group companies	0	0
Other current interest-bearing liabilities, Group companies	27,631	26,046
Total interest-bearing liabilities	27,631	26,046

Other**57 Appropriations**

SEK M	2022	2021
Appropriations		
Group contributions received	95	181
Group contributions paid	-1	-1
Total appropriations	94	180

56 Equity

Trelleborg AB's share capital at December 31, 2022 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

See also Note 29.

Proposed treatment of unappropriated earnings

	2022
The Board of Directors proposes that the profit brought forward from the preceding year, SEK 000s	2,746,336
and net profit for the year, SEK 000s	7,961,693
Total, SEK 000s	10,708,029
<i>be distributed in the following manner:</i>	
Dividend to shareholders of SEK 6.00 per share, SEK 000s	1,544,279
Balance to be carried forward, SEK 000s	9,163,750
Total, SEK 000s	10,708,029

58 Contingent liabilities and pledged assets

SEK M	2022	2021
Contingent liabilities		
Pension obligations	0	0
Guarantees and other contingent liabilities	24,437	10,196
Total	24,381	10,196
Of which, on behalf of Trelleborg Treasury AB	23,435	9,286
Of which, on behalf of other subsidiaries	989	773
Of which, to credit institution	13	137

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 23,189 M (9,081), the fair value of derivative instruments for SEK 246 M (191) and other contingent liabilities for SEK 0 M (14) 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	2,746,336
and net profit for the year, SEK 000s	7,961,693
Total, SEK 000s	10,708,029

be distributed in the following manner:

Dividend to shareholders of SEK 6.00 per share, SEK 000s	1,544,279
balance to be carried forward, SEK 000s	9,163,750
Total, SEK 000s	10,708,029

May 2, 2023 is proposed as the record date for the right to a dividend.

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 48.6 percent to 47.6 percent and the Parent Company's equity/assets ratio from 34.2 percent to 31.7 percent, calculated on December 31, 2022.

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, March 2, 2023

Signature on Swedish original

Hans Biörck
Chairman

Gunilla Fransson
Board member

Monica Gimre
Board Member

Johan Malmquist
Board Member

Peter Nilsson
*Board Member and
President*

Anne Mette Olesen
Board Member

Jan Ståhlberg
Board member

Maria Eriksson
Employee representative

Jimmy Faltin
Employee representative

Lars Pettersson
Employee representative

Our audit report was submitted on March 2, 2023.

Deloitte AB
Signature on Swedish original

Hans Warén
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 2022 except for the corporate governance report on pages 43–57, remuneration report on pages 58–59 and part of the sustainability report on page 9. The annual accounts and consolidated accounts of the company are included on pages 8–13, 16–17, 28–35, 38–41, 54–57 and 64–110 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 2022 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 2022 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 43–57, remuneration report on pages 58–59 and part of the sustainability report on page 9.

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 2022, Trelleborg AB (publ) accounts for goodwill in the consolidated balance sheet amounting to SEK 20,818 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 for any of the cash-generating units within the group.

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 ABs' (publ) procedures and model 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 can be found on the pages 1–7, 9, 14–15, 18–27, 36–37, 42–53, 58–63 and 114–142. The remuneration report also constitutes other information. 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 2022 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. This description forms a part of the Auditor's Report.

The auditor's examination of the ESEF report

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528) for Trelleborg AB (publ) for the financial year 2022-01-01 – 2022-12-31.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the ESEF report*. Our responsibility under this recommendation is described in more detail in the *Auditor's responsibility* section. We are independent of Trelleborg AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors

The Board of Directors are responsible for the preparation of the ESEF report in accordance with the Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement

in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the ESEF report has been prepared in a valid XHTML format and a reconciliation of the ESEF report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the ESEF report have been marked with iXBRL in accordance with what follows from the ESEF regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 43–57 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.

Deloitte AB, 556271-5309, Stockholm, was appointed auditor of Trelleborg AB (publ) by the annual general meeting of shareholders on the 27 April 2022 and has been the auditor of the company since 27 April 2017.

Malmö, March 2, 2023
Deloitte AB

Signature on Swedish original

Hans Warén
Authorized public accountant

SUSTAINABILITY INFORMATION





Solutions to Food and Beverage Processing

In food and beverage production, safety is paramount, and contamination of any type is not acceptable. From the farm to processing plant, transport equipment to the kitchen, Trelleborg solutions are fundamental in helping to deliver perfect food and drink to the table in the volumes required to feed an ever-growing population.



The image shows Trelleborg's multifunctional hose for liquid foodstuffs such as milk, oil and fats. The inner layer, or tube, ensures organoleptic (odor and flavor) neutrality. The outer layer, or cover, is both robust and resists oxidation.

READ MORE ABOUT: FOOD HANDLING

Stakeholder engagement and materiality

Stakeholder engagement in 2022 was mainly colored by climate issues and the EU's ongoing work with corporate sustainability reporting and legislation. Even the current materiality analysis has been influenced by the main features of forthcoming EU legislation.

Stakeholder engagement with clear climate focus

Trelleborg's stakeholder engagement in 2022 has changed as sustainability issues have clearly received more space in the Group's interim reporting since the beginning of this year, and the engagement has also primarily been marked by work with climate issues on several fronts.

A renewed analysis was conducted of the Group's emissions along the value chain (Scope 3), refer to page 25, and this formed the basis of Group efforts during autumn 2022 to prepare supporting documentation for an application for approval of a Science Based Target that will extend at least until 2030.

This forthcoming climate target will replace the current "50 by 25" climate target as the Group's emission profile changes – with a sharp decrease in CO₂ emissions – when the divestment of the Trelleborg Wheel Systems business area is completed as planned in 2023.

Another prominent part of engagement during the year on climate issues with internal and external stakeholders was the company's work with the climate reporting in accordance with TCFD's guidelines (refer to page 118). Particularly in respect of scenario analysis, where Trelleborg's work was addressed and highlighted, for example, at the annual *Hållbart Näringsliv* (Sustainable Business) conference in Stockholm (November 2022).

New EU legislation

With regard to current and forthcoming EU legislation, Trelleborg's year was dominated by knowledge acquisition about the direction of mandatory sustainability reporting that will come into force for the Group from the 2024 reporting year, and the continued development of regulations for the EU Taxonomy (page 121).

Questions from investors and customers

Investors continue to show an interest in Trelleborg's sustainability profile and have demonstrated a high level of engagement with regards to questions and surveys. A growing area in the dialog surrounding Trelleborg's sustainability performance is questions and surveys from customers, in many cases forwarded by third-party companies and organizations, such as EcoVadis. During the year, Trelleborg took measures to strengthen opportunities for selected units to refer to their profile in EcoVadis in the event of various customer inquiries.

Assessment and materiality analysis

As is customary, Trelleborg's overall sustainability priorities were evaluated. The views collected from the stakeholder engagement, evaluation and the new risk analysis were addressed during work on the 2022 Sustainability Report.

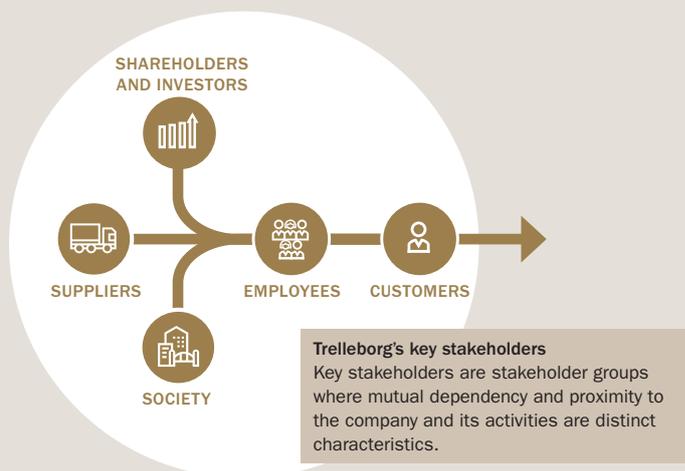
In October 2022, exercises were again conducted with about 40 students from Örebro University from the master's program in Sustainable business, where they evaluated the content of Trelleborg's latest Sustainability Report from the perspective of various key stakeholder groups. This took place as three-day workshops when the students were introduced to the report and then commented on and criticized the report. Frequently recurring comments concerned areas such as sustainability-adjusted business model, climate-polluting emissions, local employee participation, raw materials/circularity, diversity & inclusion, recruitment and the supply chain.

Generally, engagement with students concerning Trelleborg's sustainability work intensified during the year, with a visit from the International Institute for Industrial Environmental Economics in Lund (IIIEE) in August and a one-day workshop with students from Lund University in November. Trelleborg further modified materiality work during the year as a model moving forward due to the forthcoming EU regulations on how materiality analysis are to be performed.

This new model is based on:

- » Identifying material sustainability aspects on the basis of double materiality
- » Impact of material aspects and risks
- » Activities to address aspects

TRELLEBORG'S KEY STAKEHOLDERS



Identifying material aspects

Materiality at a general level has been evaluated by Trelleborg since 2020 in accordance with the UN SDGs and in two different dimensions. This approach was strengthened when the EU published the foundation of the upcoming legislation with respect to materiality analysis as a basis for sustainability reporting. Fundamental questions in the process are:

- » Material impact/risk: How do Trelleborg's operations impact people and environment? What are the risks?
- » Financial materiality: How are Trelleborg's business and operations impacted financially by sustainability?

Material aspects of Trelleborg's risks and impact on the environment and people are described in the Sustainability Report, together with ongoing work with preventive and corrective action.

More information about the aspects deemed to be material can be found on pages 117 (risks and impact in accordance with the UN SDGs) and 118–120 (in accordance with TCFD).

Impact on business and operations

Material aspects of how sustainability issues impact Trelleborg's business and operations via risks and other effects are presented, for example, on page 117.

Climate change is high on Trelleborg's strategic agenda, as it is for most manufacturing companies. The material aspects of climate change involve physical and business risks for the operations related to both preventive measures and climate adjustments, and reducing the climate impact of the operations across the entire value chain. Find out more about climate targets and visions on pages 24–25.

The risk analysis of climate issues – particularly the long-term – was improved using a detailed description according to the TCFD's recommendations on pages 118–120, including climate scenarios. The risk analysis incorporates both how transition risks and physical risks could impact business and the operations.

Sustainability activities carried out by Trelleborg have been clearly decentralized to the business area level based on the *Protecting the Essential* strategy as regards both tailoring the sustainability agenda and actual planning and implementation of improvement activities.

Climate change can, for example, be divided into *energy-related activities* – meaning improved energy efficiency and transitioning the operations' energy supply toward renewable energy sources – and *materials activities*, meaning primarily transitioning the operations' materials supply toward greater circularity.

OVERVIEW OF HIGH AND MEDIUM-HIGH RISKS, AND OWN IMPACT ALONG THE VALUE CHAIN

All 169 targets in the UN Sustainable Development Goals (SDGs) have been assessed by a special group for risk assessment at Group level, taking into account the risks and impact along the value chain that Trelleborg's activities have on society. The table shows the targets that can be considered as high risk, based on weighing the severity and likelihood of occurring. High risk is marked with a square in a darker color.

Targets in SDGs with exposure to risk  = high risk	Relevant risk/impact for Trelleborg	Main risk along the value chain?	Trelleborg's own impact	Examples of management, page
 3.9 Reduce the number of deaths and illnesses from hazardous chemicals and pollution and contamination	Company's use of chemicals in processes and products	Raw materials	Production and organization	Safety@Work 128, 129, Global Chemical Task Force 124, REACH activities 124, Polymers for Tomorrow 23, 124
 5.1 End all forms of discrimination against all women and girls everywhere	Discrimination internally and in the supply chain.	Suppliers	Production and organization	Diversity and inclusion, work with 128, target 129
 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making	Percentage of women managers.	Own operations	Production and organization	Diversity and inclusion, work with 128, target 129
 6.4 Increase water-use efficiency and ensure sustainable withdrawals and supply of freshwater	Company's water use, water supply and emissions	Suppliers	Production and organization	Water use and water supply 125, 126
 8.4 Improve global resource efficiency in consumption and production	Company's resource efficiency and circularity	Suppliers, Use and recycling	Production and organization	Manufacturing Excellence 23, 124, Energy Excellence 23, 124, Circularity 23, 124, 23, Waste 125, 127
 8.5 Full and productive employment and decent work for all women and men and equal pay for work of equal value	Decent work and fair pay	Suppliers	Production and organization	Suppliers 25, 131, Code of Conduct 131, Global Platform for Sustainable Natural Rubber 131
 8.6 Substantially reduce the proportion of youth not in employment, education or training	Recruitment	Own operations	Production and organization	Diversity and inclusion. Age 128
 8.7 Eradicate forced labor, human trafficking and child labor	Forced labor and child labor, particularly relevant as a risk early in the value chain (natural rubber)	Suppliers	Production and organization	Child labor, human trafficking, forced labor/trafficking, zero tolerance approach to 130, 131, Modern Slavery Act 130, Human rights 130, 131
 8.8 Protect labor rights and promote safe and secure working environments for all workers	Safe work environment.	Suppliers	Production and organization	Safety@Work 128, 129, Suppliers 25, 131, Global Platform for Sustainable Natural Rubber 131
 10.3 Ensure equal opportunity and eliminate discrimination	Wage difference women – men	Own operations	Production and organization	Discrimination, zero tolerance approach to 130, outcome for the year 132
 12.2 Sustainable management and efficient use of natural resources	Resource scarcity and fossil raw materials	Raw materials, Suppliers	Production and organization	Energy efficiency 23, 124, Polymers for Tomorrow 23, 124, Conflict materials 124, Water use and water supply 125, 126, Circularity 23, 124
 12.4 Environmentally sound management of chemicals and all waste	Chemicals management	Raw material, Suppliers, Use and recycling	Production and organization	Global Chemical Task Force 124, REACH activities 124, Waste management 125, 127, Emissions to air 125, 127
 12.5 Substantially reduce waste generation	Resource efficiency and circularity	Raw materials, Use and recycling	Production and organization	Manufacturing Excellence 23, 124, Waste 125, 127, Circularity 23, 124
 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	Climate risks for Trelleborg, both physical and commercial	Raw materials, Use and recycling	Production and organization	Climate target and vision 17, 23, 24, 25 Circularity 23, 124, Polymers for Tomorrow 23, 124, Climate impact 23, 123, TCFD 118
 14.1 Prevent and significantly reduce marine pollution of all kinds	Problem of microplastics	Raw materials, Use and recycling	Production and organization	Circularity 23, 124
 15.2 Promote the implementation of sustainable management of all types of forests, halt deforestation and restore degraded forests	Deforestation (from use of natural rubber)	Raw materials, Suppliers	Purchases	Natural rubber chain, Dialog with suppliers 131, Global Platform for Sustainable Natural Rubber 131
 16.2 Protect abuse, exploitation, trafficking and all forms of violence against and torture of children	Risk of child exploitation in the value chain (mainly natural rubber)	Suppliers	Purchases	Child labor, zero tolerance approach to 130, Natural rubber chain 131, Global Platform for Sustainable Natural Rubber 131
 16.3 Promote the rule of law and ensure equal access to justice for all	Regulatory compliance globally	Suppliers	Production and organization	Regulatory compliance 130, 132, Suppliers 131
 16.5 Substantially reduce corruption and bribery in all their forms	Regulatory compliance and the Code of Conduct	Suppliers	Production and organization	Regulatory compliance 130, 132, in supply chain 131, Code of Conduct 131

COMMON QUESTIONS IN STAKEHOLDER ENGAGEMENT:

» How is Trelleborg managing the issue of climate change?

The starting point in preparing the company's current climate target (that applies for the period 2021–2025) and its long-term climate vision (for 2035) has always been to actively contribute to society's goal to keep global warming to 1.5°C, by using a science-based analysis of emissions from operations and targets adapted to this analysis.

As described on pages 24–25, Trelleborg is striving to revise its current climate targets and have these approved by the Science Based Targets initiative, which is expected to take place in 2023.

» How is Trelleborg working to make its business and entire operations more circular?

The Group-wide *Polymers for Tomorrow* group continued work during the year to systematically address material categories to increase the share of bio-based and recycled/recoverable materials.

During the year, work also continued to develop a general model for Trelleborg's view of circular resource use and business, as an additional step toward more efficient use of resources.

In this context, Trelleborg's own definition of circular economy follows the general definition of the model (from the Ellen MacArthur Foundation):

“Circular economy is an industrial system based on recovery and regeneration. It replaces the concept of discarded products with recycling, and it transitions into renewable energy, eliminates use of harmful chemicals, which thereby enables reuse, and aims to eliminate waste and pollution driven by improved design of materials, products and entire systems, including the business models.”

» How does Trelleborg identify and manage sustainability-related risks, including climate risks?

Sustainability-related risks are included, as before, in Trelleborg's risk evaluation according to ERM principles, refer to pages 38–41. A supplementary risk/impact evaluation in accordance with the UN SDGs is presented with commentary in the table on this page. The evaluation prioritizes and highlights the risks and impacts/effects that are considered most severe and likely to occur.

As of 2021, a scenario analysis has been performed every year following the TCFD's recommendation, focusing specifically on climate-related risks, both transition risks and physical risks, refer to pages 118–120.

Climate: Risks, opportunities and scenarios

An analysis of climate-related risks and opportunities including future climate scenarios with financial impact according to the TCFD's recommendations provides the basis and variables for a potential future description for Trelleborg to base its actions on.

The material was prepared by leading representatives for the business areas and the Group following the recommendations of the *Task Force on Climate-related Financial Disclosures* (TCFD). The analysis will be further developed every year.

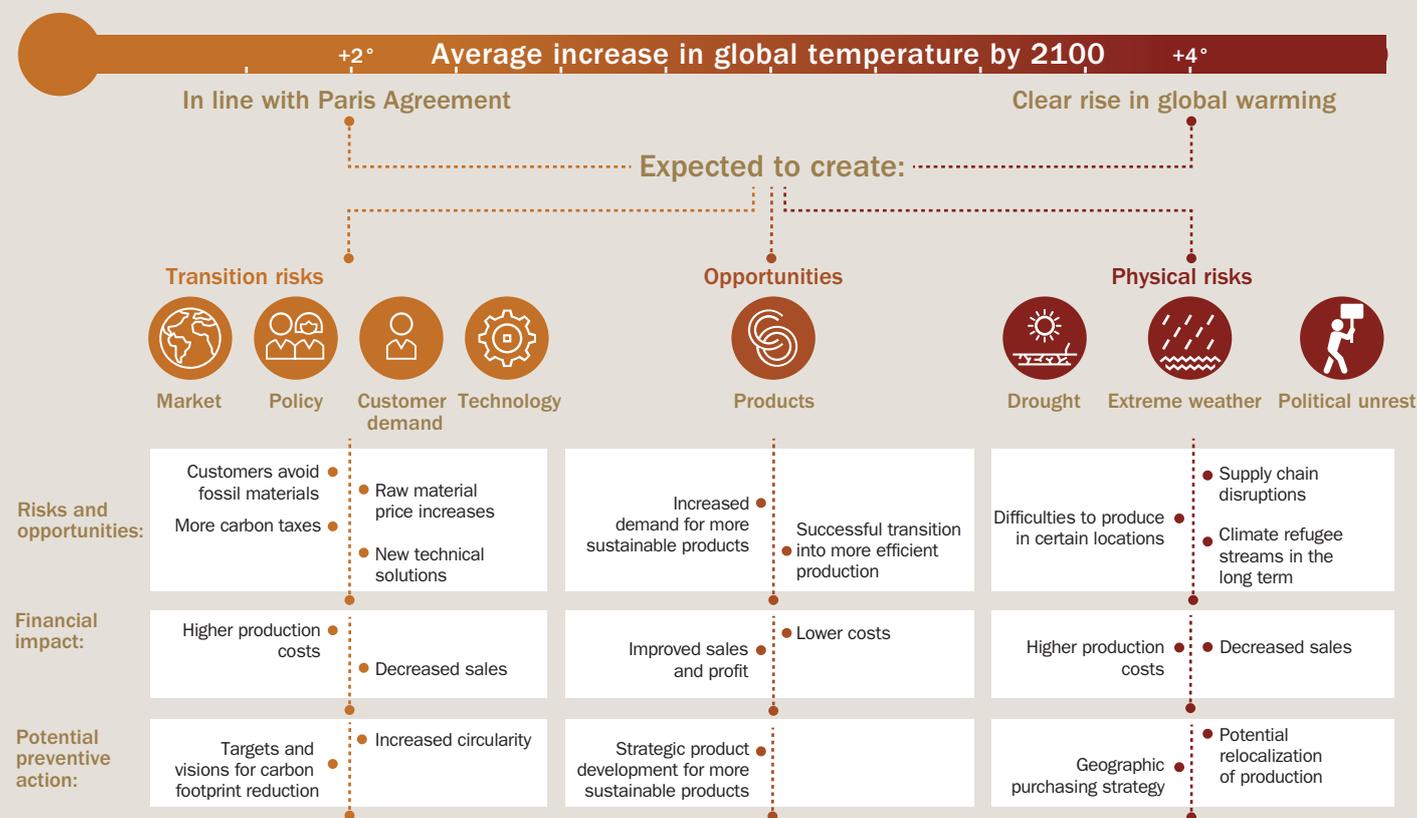
- » The introductory graphic summary below, with commentary, presents the most important results of the 2022 analysis. Most of the risks and opportunities are assumed to be between the interval of 1–5 years unless otherwise stated.
- » The risk/opportunity analysis on page 119 presents a ranking and a general description of risks and opportunities.

» The analysis of both scenarios on page 120 is based on two of the UN Intergovernmental Panel on Climate Change's (IPCC) forecasts on how carbon concentrations in the atmosphere will increase by 2100 (*Representative Concentration Pathways*, RCP). The RCP 2.6 pathway involves a low increase of carbon concentration and an average rise in temperature of 2°C, while the RCP 8.5 pathway involves a very high increase and an average rise in temperature of 4°C.

» The table on page 135 contains an index of where additional TCFD material can be found in this Annual Report.

A supplementary assessment of both physical risks/transition risks as well as opportunities is available in Trelleborg's open response to CDP (www.cdp.net).

GRAPHIC SUMMARY OF SCENARIO ANALYSIS 2022



Commentary on Trelleborg's position:

Transition risks

- » Transition risks are generally expected to occur before physical risks. The organization is continuously increasing its contingency for future carbon regulations and also for rises in the price of raw materials. A greater need for public affairs monitoring and possible lobbying can be discerned in operations to more closely follow developments.
- » Transition risks related to changes in demand where customers avoid fossil materials is probably a larger risk in the medium term than new political measures and taxes. Advanced customers in the aerospace, automotive and construction industries are already expressing demands with regard to the carbon content and recyclability of products, which could lead to pressure on profitability if higher prices are not accepted.

- » Reducing the carbon footprint through a science-based climate target and a net zero vision as well as measures to increase circularity is gradually starting to become part of Trelleborg's DNA.

Physical risks

- » Climate-related disruptions of the supply chain and Trelleborg's production can be expected to increase moving forward.
- » The risk analysis of climate-related physical risks has been in place for a long time. The number of upgrades to the level of Highly Protected Risk facilities is rising, refer to page 40.
- » Purchasing strategy with new geographical considerations can be changed in the short term for critical raw materials such as natural rubber.
- » The potential relocation of production is made easier due to Trelleborg's production sites in various relevant parts of the world.

Opportunities

- » The share of energy-saving and emissions-reducing products in Trelleborg's range is expected to increase markedly.
- » New materials and new technical solutions are monitored for the same purpose, namely for Trelleborg to be an industry leader in sustainability. Examples of proactive measures to reduce the carbon content of Trelleborg's products and to stay one step ahead of the competition is the Group-wide *Polymers for Tomorrow* group, which aims to increase the share of recycled/recoverable and bio-based materials. However, research efforts must also be increased at Group level.
- » More efficient production is a natural and visible consequence of ongoing energy and material efficiency efforts.

HIGHEST RANKED RISKS AND OPPORTUNITIES BY TRELLEBORG

Risks	Commentary	Time frame	Financial impact	Comments and current action
Transition risks				
Changed customer demand	Customers choose competing solutions mainly due to a perceived lack of recyclability or high carbon concentration in primarily rubber-based solutions	3–5 years ahead, only individual cases can currently be seen	Strong	Serious financial impact is attributable to the lower demand that may occur if Trelleborg were not to act to explain, develop and adapt its products and solutions
Political regulations	New taxes, charges mainly for CO ₂ in production/materials, which risk increasing production costs	1–5 years	Medium	Trelleborg has already partly built in some protection against this in the form of an internal CO ₂ price simulated in investment applications
Customers do not understand Trelleborg’s actual sustainability performance	Different types of evaluations via surveys and performance analyses increase in importance	From now on	Medium	Trelleborg continuously develops its use of third-party evaluations, such as EcoVadis
Physical risks				
Extreme weather causes supply chain disruptions and temperature increases	Disruptions to inbound freight and lower production capacity	Visible now to a certain extent	Medium	Uncertainties in the supply chain are already taken into consideration to some extent. All localization of production considers weather risks
Opportunities				
Proactive development of improved low-carbon, energy-saving and climate-resilient products and solutions	Both larger markets and higher market shares are achievable opportunities, partly by using recycled, recoverable and bio-based raw materials	1–5 years	Strong	Market positioning as a low-carbon polymer solutions supplier is fully possible in most of Trelleborg’s various segments
High resource efficiency in energy consumption and manufacturing	Sustainability goes hand in hand with efforts to achieve energy and materials efficiency	From now on	Medium	The entire multi-year Excellence program is based on enhancing the efficiency of processes step by step
New circular business models	Services and support replace traditional product sales	3–5 years	Medium	Each segment should be analyzed in terms of business opportunities that can be achieved via services

GENERAL RISKS AND OPPORTUNITIES

Transition risks				
Reputation <ul style="list-style-type: none"> » Changed customer preferences » Greater concern among stakeholders or negative feedback from stakeholders » Recruitment difficulties¹ » Sector stigmatization¹ 	Market <ul style="list-style-type: none"> » Changed customer preferences » Higher costs of raw materials » Uncertainty about market signals » Customers that have not adapted to climate change disappear 	Technology <ul style="list-style-type: none"> » Competitors with high share of bio-based and recycled raw materials » Replacing current products and services with lower-emission alternatives » Failed investments in new technology » Costs for transition to new lower-emission technology 	Political and legal matters <ul style="list-style-type: none"> » Higher price of GHG emissions » Stricter requirements profile for capital acquisition via EU taxonomy and future reporting directive (CSRD) » Regulations for current products and services » Exposure to claims for damages 	
Physical risks				
Chronic <ul style="list-style-type: none"> » Changed rain patterns and extreme variations in weather patterns » Effects on global supply of natural rubber: Current temperatures are at the upper end of the scale for rubber farming¹ » Higher average temperatures and sea levels could impact areas in which operations are located¹ 		Acute <ul style="list-style-type: none"> » More serious consequences of extreme weather such as cyclones and torrential rain » Impact on supply chain, production sites and customer needs 		
Opportunities				
Efficiency enhancements to achieve mitigation <ul style="list-style-type: none"> » More resource-effective production and distribution processes » More recycling and more effective use of materials » More resource-effective transportation » Relocation to more efficient buildings » Lower water use and consumption 	Transition of energy sources <ul style="list-style-type: none"> » Transition to lower-emission energy sources » Use of political support measure for energy sources » Participation in carbon reduction solutions in the market » More decentralized/local energy production, such as solar power 	Adapting the range <ul style="list-style-type: none"> » Development in lower-emission products and services » Climate-related products, examples: low friction seals, solutions for climate adjustments such as addressing flooding and other effects of higher volumes of rain or rising sea levels 	Market development <ul style="list-style-type: none"> » Access to new markets » Use of government aid for sustainable technology 	Improved resilience <ul style="list-style-type: none"> » Participation in renewable energy programs and continued energy efficiency enhancements

¹ Relevant in the long term, 5–10 years.

Scenario analysis: two different scenarios

SCENARIO 1: IN LINE WITH PARIS AGREEMENT (UNDER +2°C)

Rapid transition to lower-carbon society. The climate impact of this scenario is based on the IPCC's RCP 2.6 scenario. The scenario is characterized by unification in international politics on transition, and halving total GHG emissions by 2050 is achieved successfully. Global warming limited to 2°C by 2100, which limits damage. Political decisions, taxes and regulations on greenhouse gases are introduced. Large-scale renewable energy and technological improvements are introduced. Rapid transition to community infrastructure takes place.

POTENTIAL EFFECTS

Risks	Opportunities	Financial impacts
A gradual transition in society and negative changes in demand for solutions using fossil-based raw materials. ¹		Customer behavior is potentially negative for demand and earnings. Transition required by materials supply chain.
Trelleborg risks not being quick enough in adapting its portfolio to changed customer demand for energy and emission-impacting solutions.	Trelleborg succeeds in improving its material communication about a higher share of recycled/recoverable and bio-based materials, transitioning its offering and securing good market positions, in line with the transition in society.	Earnings are impacted by how quickly the company adapts to the transition in society.
New players in various industries offer applications in competing materials. ¹		Market share/sales may be threatened.
Climate-related regulations, taxes and fees increase quickly. An example is the EU's planned Carbon Border Adjustment Mechanism, which means that importers and non-EU manufacturers of steel, cement and electricity, among others, must pay a tax linked to the EU's price for carbon dioxide (about EUR 90 per metric ton of CO ₂ in December 2022). Trelleborg's own transition of its raw materials, energy solutions and reduced CO ₂ emissions is resulting in improvements but it might be challenging to maintain the same pace in society.	Impact on society and customers yields a distinct increase in business opportunities for energy savings and Trelleborg solutions that reduce emissions, such as in industries for renewable energy, e-mobility and greener air travel.	Capitalizing on new business opportunities is positive for income and earnings. Regulations and taxes drive up costs and clearly increase the overall cost profile, even indirectly: For example, the International Monetary Fund had stated that a carbon tax of USD 75 per metric ton of CO ₂ would increase the average price in the G20 countries by up to 43 percent. However, the risk profile is likely to be similar for competitors.
Demand for transition of production equipment to meet society's needs in terms of, for example, renewable energy and circular production.		Investment requirements for transition of internal infrastructure.

SCENARIO 2: CLEAR RISE IN GLOBAL WARMING (+4°C)

Slow transition in society. The climate impact of this scenario is based on the IPCC's RCP 8.5 scenario. The scenario is characterized by the moderate tempo of political climate initiatives and cooperation and with cooperative difficulties internationally. Continued dependency on fossil fuels. GHG emissions continue and result in a 4°C increase in the global temperature by 2100. Periods of drought, a clear rise in sea levels, more fires and cases of extreme weather, such as flooding, cause problems in themselves and lead to refugee flows.

POTENTIAL EFFECTS

Risks	Opportunities	Financial impacts
Physical effects: extreme weather causes supply chain disruptions, disrupts some operations and causes damage at some plants.		Any such operational disruptions are negative for production and sales.
Temperatures make working and living difficult in certain places, for example, in Sri Lanka due to risk of flooding and in the US due to risk of tornadoes. Political concern/streams of refugees risk becoming a consequence. ¹	It may be necessary to relocate some production, but Trelleborg's own transition of energy solutions and lowering of CO ₂ emissions are progressing quicker than for society at large, which is positive for the brand.	Trelleborg's brand and market position are positive, but political concern/refugee flows could disrupt both local demand and impact prices of materials, which could affect earnings.
Moderate tempo of transition for own energy-related infrastructure. ¹		Investment requirements under control.
Customer demand changes, but at a predictable rate.	Trelleborg succeeds in transitioning its offering and securing good market positions, in line with the transition in society.	Capitalizing on new business opportunities is positive for earnings.
Regulations, taxes and fees increase but at a moderate tempo.	Gradual increase in business opportunities for energy savings and Trelleborg solutions that reduce emissions, such as in the segments for renewable energy, e-mobility, greener air travel, which are important to the company (refer to page 19).	Regulations and taxes gradually increase the cost profile. Positive on income side.

¹ Relevant in the long term, 5–10 years.

EU taxonomy 2022 for Trelleborg AB

The EU taxonomy is legislation in the form of a classification system of economic activities, intended to direct investments in a sustainable direction. Trelleborg has analyzed its operations according to the 2022 taxonomy guidelines.

Focus of the taxonomy

2022 is the second fiscal year that Trelleborg and other manufacturing companies are to analyze and classify the operations eligible in accordance with the EU taxonomy guidelines. The taxonomy addresses two environmental objectives for this second year of reporting:

- » climate change mitigation, and
- » climate change adaptation

It is important to understand that with the current direction, the taxonomy first and foremost addresses activities in society that have high greenhouse gas emissions (for example energy production, iron and steel manufacturing), and certain activities in society that enable a sustainable transition of other operations (for example education). Over the next few years, the EU will add four

other overarching environmental objectives to the Taxonomy Directive:

Sustainable use and protection of water and marine resources, Transition to a circular economy, Pollution prevention and control as well as Protection and restoration of biodiversity and ecosystems.

It is also important to note that Trelleborg is not exposed to the fossil gas or nuclear power sectors in any of the ways listed in the supplement to the Taxonomy Regulation made in 2022.

Trelleborg's 2022 analysis and reporting

For Trelleborg's analysis of its operations, the continuing business areas carried out a review of all of their operations during the year to see which activities are eligible and are aligned with the applicable taxonomy guidelines for reporting the proportion of income/sales (turnover), proportion of capital expenditure (CapEx) and proportion of operating expenditure (OpEx).

PROPORTION OF INCOME/SALES

According to Trelleborg's analysis, the proportion of products or services in Trelleborg's continuing operations that are taxonomy-eligible in 2022 for Trelleborg is 0 percent. The share of non-eligible activities for the year is thus 100 percent.

Economic activities ¹	Code/codes (2)	Absolute sales (3), SEK M	Proportion of sales (4), %	Criteria for substantial contribution							Criteria for do no significant harm (DNSH)							Minimum safeguards (47), Y/N	Taxonomy-aligned proportion of turnover, year 2022 (18), %	Taxonomy-aligned proportion of turnover, year 2021 (19), %	Category (enabling activity) (20) E	Category (transitional activity) (21) T
				Climate change mitigation (5), %	Climate change adaptation (6), %	Sustainable use and protection of water and marine resources (7), %	Transition to a circular economy (8), %	Pollution prevention and control (9), %	Protection and restoration of biodiversity and ecosystems (10), %	Climate change mitigation (11), Y/N	Climate change adaptation (12), Y/N	Sustainable use and protection of water and marine resources (13), Y/N	Transition to a circular economy (14), Y/N	Pollution prevention and control (15), Y/N	The protection and restoration of biodiversity and ecosystems (16), Y/N							
A. TAXONOMY-ELIGIBLE ACTIVITIES																						
Scope of the environmentally sustainable (taxonomy-aligned) activities (A.1)		0	0																			
A.2 Taxonomy-eligible activities but not environmentally sustainable (not taxonomy-aligned)																						
Sales of taxonomy-eligible activities but not environmentally sustainable (not taxonomy-aligned) (A.2)		0	0																			
Total (A.1 + A.2)		0	0																			
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																						
Sales of taxonomy non-eligible activities (B)		30,095 ¹	100																			
Total (A + B)		30,095	100																			

¹ Turnover is taken from Trelleborg's 2022 income statement on page 65.

PROPORTION OF CAPEX

The taxonomy guidelines state what could be taxonomy-eligible or taxonomy-aligned in terms of proportion of investments. Three different categories of investments are provided for – the first two are directly related to operations or planned operations eligible or that will be taxonomy-eligible and thus are not relevant as long as no operations are de facto eligible or such plans exist.

The third category refers to investing in such measures as energy efficiency that also result in a reduction in greenhouse gas emissions, where the objective of the investment itself is to be in equipment that is eligible or aligned with the taxonomy guidelines.

In its continuing operations, Trelleborg has such CapEx that are taxonomy-eligible in 2022, although it is not yet possible to determine if these are entirely taxonomy-aligned. This primarily consisted of environmental investments in local systems for electricity production using solar energy, electric vehicles and charging stations for electric vehicles, environmentally certified buildings and suchlike. The proportion of total CapEx that is taxonomy-eligible is approximately 12 percent, while the proportion that is non-taxonomy-eligible is 88 percent.

Economic activities ¹	Code/codes (2)	Absolute sales (3), sek M	Proportion of CapEx (4), %	Criteria for substantial contribution						Criteria for do no significant harm (DNSH)						Minimum safeguards (17), Y/N	Taxonomy-aligned proportion of CapEx, year 2022 (18), %	Taxonomy-aligned proportion of CapEx, year 2021 (19), %	Category (enabling activity) (20) E	Category (transitional activity) (21) T
				Climate change mitigation (5), %	Climate change adaptation (6), %	Sustainable use and protection of water and marine resources (7), %	Transition to a circular economy (8), %	Pollution prevention and control (9), %	Protection and restoration of biodiversity and ecosystems (10), %	Climate change mitigation (11), Y/N	Climate change adaptation (12), Y/N	Sustainable use and protection of water and marine resources (13), Y/N	Transition to a circular economy (14), Y/N	Pollution prevention and control (15), Y/N	The protection and restoration of biodiversity and ecosystems (16), Y/N					
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
Scope of the environmentally sustainable (taxonomy-aligned) activities (A.1)		0	0														0	0		
A.2 Taxonomy-eligible activities but not environmentally sustainable (not taxonomy-aligned)																				
4.1 Electricity from photovoltaic installations (solar cells)		6																		
6.5 Transportation, purchased or leased electric vehicles		7.5																		
7.1 Buildings, certified		141																		
7.3 Energy efficiency, equipment for CapEx for taxonomy-eligible activities but not environmentally sustainable (not taxonomy-aligned) (A.2)		6.5															0	0		
Total (A.1 + A.2)		161	12														0	0		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
CapEx for taxonomy non-eligible activities (B)		1,137	88																	
Total (A + B)		1,298 ¹	100																	

PROPORTION OF OPEX

The proportion of OpEx as described in the taxonomy guidelines primarily refers to OpEx that are associated with activities that are de facto aligned with the taxonomy. When these activities in 2022 are 0 percent, the proportion of OpEx related to these is also 0 percent. The proportion of non-eligible OpEx is thus 100 percent for 2022.

Economic activities ¹	Code/codes (2)	Absolute OpEx (3), sek M	Proportion of OpEx (4), %	Criteria for substantial contribution						Criteria for do no significant harm (DNSH)						Minimum safeguards (17), Y/N	Taxonomy-aligned proportion of OpEx, year 2022 (18), %	Taxonomy-aligned proportion of OpEx, year 2021 (19), %	Category (enabling activity) (20) E	Category (transitional activity) (21) T
				Climate change mitigation (5), %	Climate change adaptation (6), %	Sustainable use and protection of water and marine resources (7), %	Transition to a circular economy (8), %	Pollution prevention and control (9), %	Protection and restoration of biodiversity and ecosystems (10), %	Climate change mitigation (11), Y/N	Climate change adaptation (12), Y/N	Sustainable use and protection of water and marine resources (13), Y/N	Transition to a circular economy (14), Y/N	Pollution prevention and control (15), Y/N	The protection and restoration of biodiversity and ecosystems (16), Y/N					
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
Scope of the environmentally sustainable (taxonomy-aligned) activities (A.1)		0	0														0	0		
A.2 Taxonomy-eligible activities but not environmentally sustainable (not taxonomy-aligned)																				
OpEx for taxonomy-eligible activities but not environmentally sustainable (not taxonomy-aligned) (A.2)		0	0														0	0		
Total (A.1 + A.2)		0	0														0	0		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
OpEx for taxonomy non-eligible activities (B)		930	100																	
Total (A + B)		930 ²	100																	

¹ Total CapEx for 2022 has been derived from gross capital expenditures of continuing operations in Trelleborg's 2022 cash flow statement on page 71.

² Total OpEx for 2022 consists of research & development costs for continuing operations in 2022 in accordance with the income statement on page 65 and expenditure for maintenance and repairs that are part of the cost of goods sold as set out in the income statement.

OTHER COMMENTARY FROM TRELLEBORG

Many activities fall outside the taxonomy.

The consequence of the focus of the taxonomy to date is that many companies, including Trelleborg with its production of engineered polymer solutions, are not currently materially affected as its operations are not eligible or aligned with taxonomy guidelines. For these companies, the proportion of operations that is either taxonomy-eligible or environmentally sustainable and aligned with the taxonomy is none or minimal.

Other sustainability-related solutions

According to Trelleborg's analysis conducted in 2022, there are a number of activities in the Group that provide corporate customers with solutions/components that are critical to the function, energy consumption and climate performance of taxonomy-eligible end products that are either taxonomy-eligible or aligned with the taxonomy. Some examples of such solutions/components are function-critical and energy-saving sealing solutions (for wind-power plants, solar panels, buildings) or solutions for trenchless pipe repair. See further examples of sustainability-promoting products in the table below.

However, the manufacturing of such solutions cannot be reported under the taxonomy by Trelleborg since they fall outside the current taxonomy guidelines for what is taxonomy-eligible or aligned with the taxonomy. This is despite the fact that, in Trelleborg's view, the characteristics of the solutions may be critical to sustainability characteristics of end products that are either taxonomy-eligible or aligned with the taxonomy.

The outcome of the analysis indicates that such sustainability-related activities for components for end products that are either taxonomy-eligible or taxonomy-aligned represent about 10 percent of Trelleborg's net sales for continuing operations in 2022.

UN SDGs	TRELLEBORG'S PRODUCTS, SOLUTIONS AND SOCIAL ACTIVITIES FOR/CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT OF SOCIETY, WITH REFERENCE TO THE UN SDG TARGETS
 2 ZERO HUNGER	Solutions for sustainable agriculture and greater productivity in agriculture (2.3). Other products for sustainable systems for food production, including food hoses (2.4).
 3 GOOD HEALTH AND WELL-BEING	Products to improve road safety, such as brake shims (3.6). Components in the field of healthcare & medical, such as for medical devices and for drug and vaccine delivery systems (3.8). Reduced involvement in solutions in the field of oil & gas (3.9).
 4 QUALITY EDUCATION	Training and support projects for local communities within the framework of Trelleborg's community engagement (4.2).
 5 GENDER EQUALITY	Development of women managers (5.5).
 6 CLEAN WATER AND SANITATION	Products to safeguard and protect water resources, such as pipe seals and pipe repair solutions (6.4).
 7 AFFORDABLE AND CLEAN ENERGY	Solutions for the safe extraction and transport of energy (7.1). Components for wind, solar and hydro power solutions (7.2).
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Solutions for reliable, sustainable, resilient and high-quality infrastructure, including window/door seals, façade profiles and pipe seals, and in the train and rail system area and for ports, as well as bridge and tunnel solutions (9.1).
 11 SUSTAINABLE CITIES AND COMMUNITIES	Solutions for protection 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 the train and rail system (11.2). Solutions to protect and safeguard the world's cultural and natural heritage, including water management and seals (11.4).
 13 CLIMATE ACTION	Solutions in energy efficiency, renewable energy and water management that reduce the risk of and build resilience against climate hazards and catastrophes (13.1).
 14 LIFE BELOW WATER	Products for ports and marine solutions, including Ocean Cleanup (14.2).
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Preventive measures throughout the value chain against child and forced labor as well as against corruption and anti-competitive measures (16.2 and 16.5).
 17 PARTNERSHIPS FOR THE GOALS	Signing and supporting various sustainability initiatives, such as the UN Global Compact, continued application of, and adjustment to, international standards and guidelines for sustainability reporting (such as GRI/UN Sustainable Development Goals), climate reporting (TCFD/CDP) and environmental management systems (ISO 14001) (17.16).

Operations: Efficient and sustainable resource usage

In terms of the climate, the proportion of renewable energy is steadily increasing to reduce climate impact in line with the climate target of “50 by 25” and the vision of net zero emissions from our own operations by 2035.

Strategic sustainability work

The finalization of the divestment of Trelleborg Wheel Systems will lead to a significant reduction in the Group’s carbon footprint in absolute terms. See the strategy section on pages 24–25 for the result of the analysis of Trelleborg’s Scope 3 emissions and plans for the approved Science Based Target from 2023, as well as the section on Energy and climate, including Climate strategy, below and on page 125.

Products and solutions

Trelleborg’s engineered solutions are based on the unique sealing and damping properties of polymers. The solutions in themselves have a positive impact on the sustainability of society as they, for example, save energy and reduce CO₂ emissions, eliminate noise and vibrations, seal in demanding environments to avoid leaks of water, oil, gas or hazardous chemicals, and dramatically extend the lifecycle of items ranging from machines and medical devices to community infrastructure such as skyscraper facades, bridges and tunnels.

However, Trelleborg is not blind to the fact that the solutions themselves are largely fossil-based. The company is therefore working systematically to increase the share of recycled/recyclable or bio-based raw materials in everything it develops and manufactures. This aims to further strengthen Trelleborg’s role as the sustainability leader in its industry without compromising the high technical requirements in the demanding environments where the solutions are intended for use.

Accordingly, Trelleborg’s development group *Polymers for Tomorrow* has continued its practical work during the year in accordance with the principles of circularity (refer to page 23). The aim is to systematically increase the use of recycled/recyclable, bio-based and completely new, more sustainable raw materials. The development group, composed of members from the business areas and the Group, identifies strategic collaborations with suppliers and other initiatives in the intended direction.

Raw materials and chemicals

The principal raw materials in Trelleborg’s industrial processes are polymers (rubber, plastics, composites), metal components, as well as additives comprising softening agents (oils) and fillers such as carbon black, and vulcanizing agents (sulfur, peroxides).

The manufacturing processes have several types of direct impact on the environment and people: climate impact, waste and emissions (mainly to air), water consumption and work accidents. Similar impacts as a result of Trelleborg’s activities occur indirectly along the value chain, primarily in the supply chain.

Trelleborg’s Group environmental policy – available at www.trelleborg.com – stipulates that attention must be given to the precautionary principle, and that hazardous substances and materials are, to the greatest extent possible, to be reduced and replaced in products and processes.

Conflict minerals are used to a very limited extent in Trelleborg’s products, and the company is working continuously with its suppliers to ensure that conflict minerals originating from risk areas are not used in Trelleborg’s products. Trelleborg has governance documents and provides templates that simplify the response of units to customer inquiries about such minerals.

As a chemical user, Trelleborg is affected by the EU REACH regulation. In addition to the local work with REACH compliance, strategic work related to

chemicals continues to be carried out within the framework of the Global Chemical Task Force, a corporate-level team. During 2022, the Global Chemical Task Force provided support to local companies in chemical replacement projects, classification and reporting of used chemicals and generally with the follow up of European legislation on chemicals and the environment: updating of the REACH regulations, the EU’s taxonomy regulations, the Carbon Border Adjustment Mechanism, Ecodesign for Sustainable Products Regulation and public consultations concerning future restrictions on per- and polyfluoroalkyl substances (PFAS).

Within the scope of ETRMA, the European organization for tire and rubber manufacturers, Trelleborg has been represented and participated in work monitoring and undertaking EU legislation in, for example, chemicals, circularity and the taxonomy.

Resource efficiency and circularity

The long-standing Manufacturing Excellence program framework takes a systematic approach in Trelleborg’s production units to improvements for enhanced safety, quality, delivery precision and efficiency. The work has yielded distinct positive effects on resource consumption through efforts to minimize resource waste.

Refer also to the sections on resource efficiency and circularity on page 23.

Energy and climate

The bulk of the Group’s energy consumption – and thus its direct climate impact – is connected to fossil-fuel combustion for the production of steam (direct energy and emissions) and use of purchased electricity, steam and district heating.

Energy Excellence

Energy Excellence, the initiative for systematic energy optimization at all Trelleborg units, is an integrated part of the Manufacturing Excellence program. Energy Excellence was updated in line with the “50 by 25” climate target to even more clearly emphasize the link between energy consumption and climate impact. In addition to process-related measures, Trelleborg’s units are focusing on the introduction of different types of systems for improved monitoring of energy consumption and on increasing energy awareness among personnel.

The outcome of energy consumption for the year is a decrease despite increased production volumes (see table on page 126). This reflects the ongoing efficiency enhancements in energy use, and how Trelleborg is striving to decouple both this and greenhouse gas emissions from growth in operations.

Proportion of renewable/fossil-free electricity and energy

The proportion of renewable/fossil-free electricity and energy – which will be continuously increased – is reported as separate indicators in the table on page 126. The proportion is rising steadily, and the transition of the electricity supply in particular will play a key role in achieving the “50 by 25” climate target by 2025.

A collaboration with Schneider Electric launched in 2021 has resulted in recommendations for joint actions for the Group in relation to the supply of renewable electricity. A tangible proposal being investigated is a Power Purchase Agreement (PPA) for manufacturing units in Europe.

Internally generated electricity is being produced using solar cells at plants in Modena, Italy, in Bengaluru, India, and in Malta.

Another significant project is underway in Sri Lanka, where biomass is replacing fossil fuel to produce steam for production.

Climate strategy

A description of Trelleborg's long-term climate strategy, with the "50 by 25" climate target in 2022 for the period through 2025 and the net zero vision for its own operations by 2035, as well as the ambition to launch a new climate target in 2023, is presented on pages 24–25. An overview and an updated risk/opportunity analysis, including climate scenarios adapted to recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), are presented on pages 118–120.

Emission allowances

Only one of the Group's units – in Tivoli, Italy – is included in the EU Emissions Trading System (EU ETS) in 2022. 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 they cause. The number of allocated emission in 2022 was 17,837 (19,598).

Water

Water is used in Trelleborg's operations mainly for cooling and washing in production processes. The outcome for the year for water-related indicators is shown in the table on page 126. Major reductions in consumption are made on an ongoing basis and are planned, inter alia, for the production unit in Ersmark, Sweden, by using improved cooling and recycling systems. Emissions to water are limited. They mainly comprise organic matter.

Previous evaluations of water supply have been carried out for countries and regions where Trelleborg's production units are located, and indicate that certain units are located in regions where water scarcity may become an issue, such as in China, Italy, the US, Sri Lanka and Malta. 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 both reduce the amount of waste and increase the rate of recycling. In the same manner the volume of hazardous waste is minimized.

For ISO 14001-certified plants – corresponding to 70 percent of the plants in 2022 – waste management plans are part of the overall environmental management system, and for all non-certified plants, it is mandatory to have such a plan in place. According to the waste management plan, waste leaving the facilities must be weighed and documented. Alternatively, the waste's density and volume must be calculated, for example, using supplier invoices, the organization's internal invoicing and accounting system, or data from the purchasing departments.

- » Recycling is carried out by external partners and internally, see the diagram on page 126.
- » For further information, refer to resource efficiency and circularity on pages 23 and 24.

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. These emissions have been continuously reduced in recent years, refer to the table on page 126.

Emissions are mainly derived from the use of solvent-based adhesives that are used for a limited number of products and production units. The upcoming divestment of Trelleborg Printing Solutions in 2023 will result in a significant reduction of VOC emissions to a level around 200 metric tons/year.

OUTCOME IN 2022 IN THE AREA OF OPERATIONS: USE OF RESOURCES

Resources	Where?	Outcome 2022	Goals and main governance
ENERGY		In total, energy consumption has reduced year-on-year despite rising production volumes. Consumption relative to sales declined markedly during the year. Energy prices worldwide in 2022 remained very high, which also impacted Trelleborg.	<p>The proportion of renewable/fossil-free energy is to gradually increase, both for direct and indirect energy, in line with the Group's climate target. For renewable/fossil-free electricity, the target is to achieve 80 percent by 2025.</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 23). 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> <p>Trelleborg also works proactively and systematically with external energy consultants, and is planning to implement joint solutions for renewable energy solutions in the future.</p>
Energy consumption		Total of 1,329 GWh (1,394). The share of direct energy is 684 GWh (703), and the share of indirect energy is 645 GWh (691).	
Energy consumption relative to sales		0.030 GWh per SEK M (0.039). Energy consumption relative to sales declined approximately 23 percent.	
Energy cost		SEK 1,361 M (844).	
Renewable/fossil-free energy and renewable/fossil-free electricity		<p>15.2 percent (11.1) of total energy consumption is from renewable/fossil-free sources, a 37-percent increase mainly due to purchased renewable electricity and internally generated electricity at facilities.</p> <p>The proportion of fossil-free/renewable electricity of total electricity is 28.8 percent (21.2).</p> <p>The internally generated electricity is produced from solar cells and amounted to 1,142 MWh (756).</p>	
		<p>Renewable/fossil-free energy, proportion of total energy</p> <p>Renewable/fossil-free electricity, proportion of total electricity</p>	
CLIMATE		Both in total and relative to sales, CO ₂ emissions fell in 2022, which is primarily attributable to the transition to renewable/fossil-free electricity. Trelleborg's systematic measures for energy efficiency also contributed to the results, which at the end of the two-year period (2021–2022) yielded a decrease of 35 percent in CO ₂ emissions in relation to sales compared with the base value of 10.9 metric tons/SEK M from 2020.	<p>The "50 by 25" climate target applies to the 2021–2025 period when Trelleborg will halve its CO₂ emissions in Scope 1 and 2, in relation to sales, and also achieve a significant reduction in emissions across the value chain (Scope 3) in line with society's goal to keep global warming to below 1.5°C.</p> <p>Trelleborg will present new climate targets in 2023 for the period extending to 2030 in dialog with the Science Based Targets initiative.</p> <p>These targets will also address Scope 3 emissions across the value chain. Read more on pages 24–25.</p>
Total CO ₂ emissions		317,000 metric tons (358,400), of which direct emissions amounted to 128,800 metric tons (134,900), and indirect emissions 188,200 metric tons (214,300).	
CO ₂ emissions relative to sales		7.1 metric tons per SEK M (9.8), a 28-percent improvement compared with last year. A clear improvement was made during 2022, mainly due to the transition to renewable electricity, but also via lower energy consumption.	
WATER		In 2022, water use, meaning water for production and sanitary water, declined in absolute terms, despite higher production volumes. Relative to sales, the decline in water use was even more distinct.	<p>Even if water use is one of the general environmental key figures reported for all plants, a decrease in consumption is most crucial at production sites with water shortages, or where water shortages can be expected. Refer to page 125.</p>
Water use		2.27 million m ³ (2.44)	
Water use relative to sales		50.9 m ³ per SEK M (68.4)	
Water withdrawal		<p>61 percent municipal water (58)</p> <p>24 percent from the company's own wells (24)</p> <p>14 percent surface water (rivers, lakes, etc.) (17)</p> <p>1 percent other sources (1)</p>	

Symbols: ■ = Internal, all units ■ = Internal, all production units ■ = Internal, certain units □ = External, suppliers

Resources	Where?	Outcome 2022		Goals and main governance	
EMISSIONS		Emissions of volatile organic compounds (VOC) decreased by 6 percent during the year. Emissions of sulfur dioxide and nitrogen oxides declined slightly.	ton VOC 1,500	t/SEK M 0,06	<p><i>Reducing volatile organic compounds (VOC) emissions is a priority both from an environmental and health perspective. Emissions of VOC are defined according to EU standards.</i></p>
VOC		681 metric tons (724 ¹)	1,000	0,04	
VOCs relative to sales		0.015 metric tons per SEK M (0.020 ¹)	500	0,02	
Sulfur dioxide		65 metric tons (74)	0	0,00	
Nitrogen oxides		53 metric tons (55)	0	0,00	
WASTE		<p>The total amount of waste declined in 2022 relative to sales, but also in absolute terms despite higher production volumes.</p> <p>The increase in hazardous waste for the year is unsatisfactory, but was mainly due to higher sales volumes.</p> <p>Waste management methods, both for hazardous waste and other waste, are shown in the diagram below to the right.</p>	ton 60,000	t/SEK M 3	<p>Waste minimization is an expressed goal in the Manufacturing Excellence initiative, which is conducted in all production units, refer to page 23.</p> <p>The volume of hazardous waste is to gradually decrease.</p> <p>According to the local waste management plans, third-party suppliers that handle waste are to be selected on the basis of their compliance with contractual and legal specifications, and all waste that leaves the plants is to be weighed and documented. Alternatively, the waste's density and volume must be calculated, for example, using supplier invoices, the organization's internal invoicing and accounting system, or data from the purchasing departments.</p>
Waste volume		48,427 metric tons (50,329). Of the total volume, rubber accounted for 32 percent (30) Hazardous waste totaled 4,731 metric tons (4,594), an increase of 3 percent since the preceding year.	40,000	2	
Waste volume relative to sales		1.1 metric tons per SEK M (1.4)	20,000	1	
Waste cost		SEK 66 M (58)	0	0	
Waste management		<p>Non-hazardous waste: Internal material recycling 532 metric tons (120) External material recycling 24,875 metric tons (21,966) Energy recovery 5,827 metric tons (7,521) Landfill 9,147 metric tons (10,087) Combustion 1,301 metric tons Other methods 2,013 metric tons (1,988)</p> <p>Hazardous waste: Internal material recycling 4 metric tons (1) External material recycling 1,342 metric tons (1,577) Energy recovery 1,728 metric tons (1,123) Landfill 102 metric tons (149) Combustion 634 metric tons Other methods 921 metric tons (1,087)</p> <p>The distribution between methods for handling non-hazardous waste and hazardous waste is presented in the diagram to the right. By definition, internal material recycling is conducted on site.</p>			

Symbols: = Internal, all units = Internal, all production units = Internal, certain units = External, suppliers

¹ The figure for 2021 is corrected after discrepancies found between monthly reporting and annual reporting.

Operations: Employee safety, diversity and development

The most important Group-wide program to achieve a safe workplace is Safety@Work, which is part of Manufacturing Excellence. A documented broad range of nationalities at management level and greater gender equality with more female managers is a part of work with diversity and inclusion. Furthermore, individual opportunities for employees to become engaged, learn and grow in order to advance their careers are also prioritized.

Work environment – health and safety

Trelleborg's longstanding occupational health and safety program Safety@Work aims to create a shared safety culture and to prevent occupational accidents and injuries at all of the Group's production units. Safety@Work is monitored by performing annual internal audits whereby the facilities are assessed on a scale in relation to the target: a fully established safety culture in which all procedures are fully implemented in terms of occupational health and safety management, machine safety and accident follow-ups, with the aim of completely avoiding a recurrence of a certain type of incident.

The program includes all staff, both employees and insourced, without exception. The global Safety Day could be held in 2022 for the first time since the pandemic, with more than 90 percent of facilities taking part. The relaunch of the program, started in 2020, continued under the theme of "Team up for Safety," an activation of the safety program through local initiatives and workshops that further deepens risk awareness and preventive efforts among employees.

No fatal accidents occurred in 2022 (2021: 0). Refer to page 129.

A number of operations were divested during the year, which impacted the outcome, but new operations were also added to safety activities in 2022 due to the acquisitions that were carried out. The total outcome for the year for OHS-related indicators is shown in the table on page 129, including the share of sites that have a safety committee, as well as entities with certified systems for occupational health and safety according to OHSAS 18001/ISO 45001.

Diversity & inclusion

The Diversity Policy at Group level recognizes that diversity and inclusion is a strength for the Group. Increased 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 and inclusion.

Trelleborg therefore works to achieve a balanced mix in regard to such factors as ethnicity, age and gender, 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.

Alongside the fundamental rules against special treatment and discrimination in the Code of Conduct (read more about the Code of Conduct on page 131), 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. Read more about discrimination on pages 9 and 131.

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.

A survey in 2022 found that managers down to level 4 in the organization (when level 1 is the President, level 2 individuals who report to the President, level 3 individuals who report to level 2 etc.) include a total of 39 different nationalities.

Age

A core issue for all knowledge organizations, including Trelleborg, is the ability to recruit young talent. For a number of years now, Trelleborg has increased

focus on the younger generations – employees born 1980 and later (Generation Y and Z), and different initiatives have been carried out. In addition to this, the Group has expanded its Graduate Program to two programs per year instead of one.

Gender

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

A key figure was introduced to measure the percentage of female managers down to level 4 in the organization, with the ambition to raise the percentage of women managers at these levels from year to year, which over time, is aimed at creating 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.

Employer Branding

Trelleborg has also put 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.

In 2022, Trelleborg received for the second consecutive year the *Karriärföretagen* award ("Career Companies") from Swedish company *Karriärföretagen* with the reasoning that:

"Trelleborg continues to expand and evolve their employer brand, offering a range of possibilities for employees to further develop competence and skills. We can identify a clearly diverse and inclusive corporate culture that gives employees the support they need to evolve and thrive within the company. Trelleborg takes pride in their employees and this can be clearly observed in their media channels. Trelleborg is, quite simply, an employer with great leadership."

Qualifications

Trelleborg Group University, the Group's shared training initiative, continued its development and delivered relevant, high-quality training courses in 2022. Never before has Trelleborg Group held more mentor-supervised training days than in 2022, an increase of 40 percent.

In total, 27,827 training courses (30,020) were carried out, about a 7-percent reduction since the preceding year. The overall reduction reflects the fact that no new e-learning course was launched during the year. (Note that the same employee may have completed several training courses.)

As before, the aim is to move classroom training online and/or as hybrid teaching – a total of 95 percent (99) of participation was digital.

The focus remained on Trelleborg's Excellence programs, and many parts of the training related to this were delivered online.

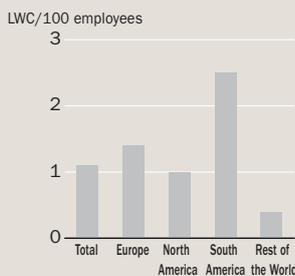
EDUCATIONAL AND DEVELOPMENT INITIATIVES IN 2022



- » In 2022, there was extra focus on the Trelleborg International Management Program (TIMP), which is Trelleborg's leadership program for middle management. 161 managers took part in TIMP in 2022.
- » A new training program was also developed with internal mentors to support leadership by coaching. The program was introduced for middle management in the fourth quarter.
- » During the year, Trelleborg continued to work with the People Excellence initiative to advance leadership within the Group, refer to image. The initiative, which is based on a self-assessment tool and self-motivated learning, comprises six individual programs, of which one program focuses on diversity and inclusion. Part of the People Excellence initiative has been to open up courses on the Group's shared learning platform, Learning Zone. The aim is to make material available in the form of a library of tools for managers.
- » Trelleborg's Learning Zone (Totara) was developed further in 2022. The various training courses are more readily available as Trelleborg's various business areas have opened up their training courses to a wider internal audience outside of the individual business areas. The update also entails an improved user interface.

OUTCOME IN 2022 IN THE AREA OF OPERATIONS: EMPLOYEE SAFETY, DIVERSITY AND DEVELOPMENT

Employees	Where?	Outcome 2022	Goals and main governance
HEALTH AND SAFETY			
Fatal accidents (insourced staff are reported separately)	Internal, all units	No fatal accidents (0) occurred during the year, neither among Trelleborg's own nor insourced staff.	<p>The number of accidents is to steadily decrease. For the full-year 2022, the target was to achieve an LWC of <1.0 in the production units and to also start to present performance measures for non-manufacturing units.</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. As of 2020, the program has been relaunched under the "Team up for Safety" theme.</p> <p>The LWC performance measure that reflects the lost work days was adjusted to international standards; the LWC frequency is the number of lost work days per 100 employees due to work-related injury/illness during the year.</p> <p>The three most common injury categories in 2022 were: trips and falls, contact with moving machinery and work tasks with poor ergonomics. These categories represent more than 50 percent of LWCs during the year.</p> <p>This performance measure was introduced in 2021 to increase the number of women who can be recruited to higher levels. A target level will be set in 2023.</p> <p>This performance measure was introduced in 2021 to highlight ethnic diversity as a success factor. A target level will be set in 2023.</p>
LWC	Internal, all production units	In production units, 175 cases (217) resulting in at least one day's absence (LWC). Of these, 10 (12) were insourced staff, and 36 (36) women. No LWC cases pertained to work-related illness in the production units in 2022. For the Group as a whole, including salaried employees, the LWC for the year was 192.	
LWC per 100 employees	Internal, all production units	1.1 LWC per 100 employees in production (1.4). For insourced staff, the figure was 0.6 (0.8), and for women 0.7 (1.2). See the diagram to the right for the regional situation. For the Group as a whole, including salaried employees, the LWC for the year was 0.9 per 100 employees.	
LWD per 100 employees	Internal, all production units	33 lost work days (47) per 100 employees (= per 200,000 working hours).	
Safety committee	Internal, all production units	85 percent of facilities have a safety committee (89) with representatives from both employers and employees.	
Absenteeism in Sweden	Internal, certain units	7.4 percent of normal working hours (7.2).	
Systems for occupational health and safety management	Internal, all production units	At the end of 2022, 41 units (31) were certified under OHSAS 18001 or ISO 45001, corresponding to 34 percent (30) of all facilities.	
Percentage of women at manager levels 1-4	Internal, all units	The percentage of women at manager levels 1-4 of the organization was 27 percent (22) at the end of 2022.	
Number of nationalities at manager levels 1-4	Internal, all units	The number of nationalities at manager levels 1-4 was 39 (38) at the end of 2022.	



Symbols: ■ = Internal, all units ■ = Internal, all production units ■ = Internal, certain units □ = External, suppliers

Compliance with laws and codes

On the basis of the Group's Code of Conduct, Trelleborg pursues work for exemplary business conduct both internally and across the value chain based on compliance with laws, rules and international agreements.

Anti-corruption and competition law

Trelleborg's Code of Conduct applies to all employees without exception. Together with the whistleblower policy, it constitutes an important linchpin 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.

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.

The Group's Compliance Program supports the entire organization. In addition, management, middle management, employees out in the field and on the factory floor are supported by Compliance Officers, which are appointed every year by each Group company to serve as a contact point for all compliance issues in their part of the business. To support them in these efforts, Compliance Officers undergo special training and progress from bronze to silver and then gold standard in order to help colleagues address compliance issues that may arise in their day-to-day 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 has been in place since 2015. The Task Force has been assigned to lead and coordinate initiatives across the broader area of compliance.

During 2022, the Compliance Task Force held three meetings that addressed, among other aspects, sanctions, particularly those arising as a result of Russia's invasion of Ukraine, the new sustainability strategy, competition policy and legislative developments, digitalization of compliance procedures, data protection, information security and a review of the audits of legal entities.

The Compliance Task Force also continued its review of Group policies to ensure that the messages they contain are understood by all individuals representing Trelleborg.

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. Every year the acceptance letter has specific focus areas that direct the recipient's attention to these individual areas. For 2022 these areas were: preventing bribery and corruption, competition laws, data protection, environmental issues and alcohol & drugs.

The Group's Whistleblower Policy entitles all employees to report any suspected legal or regulatory violations without repercussion. Refer to the table on page 132 for matters reported via the whistleblower system or other channels. This system was supplemented with employee surveys carried out at regular intervals. 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.

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), the EU (Conflict Minerals Regulation), and the UK (Bribery Act and Modern Slavery Act, respectively – which are designed to prevent forced labor and sex trafficking, see the text alongside).

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 132.

Human rights

The area of human rights comprises fundamental rights defined by conventions and declarations, including those pertaining to child labor, 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. However, if the entire value chain is taken into consideration, the risk is classed as higher, see section below on child labor, for example, and the table on page 132.

Child and forced labor

A number of potential risks of child labor in the supply chain have been evaluated. Among those leading to measures was the risk of child labor at the level of rubber producers. 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 dialog with suppliers and by visiting natural rubber producers in Sri Lanka, Southeast Asia and Africa. From 2021, Trelleborg is active in the *Global Platform for Sustainable Natural Rubber* initiative to minimize risks such as these, refer to page 131.

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 2022, Trelleborg's corporate website has again renewed its annual statement regarding the management of issues concerning forced labor, child labor and trafficking/modern slavery, mainly in accordance with the UK's Modern Slavery Act 2015, the California Transparency in Supply Chain Act and the Australian Modern Slavery Act 2018.

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 132.

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 132. 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 all major production units with production and development capacity must have an ISO 14001-certified environmental management system. Only Executive Management can grant an exception. 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 132.

Environment laws and permits

Fines or sanctions for breaches of environment or OHS-related rules are shown in the table on page 132. 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 132.



Trelleborg's Code of Conduct, Whistleblower Policy and Compliance Program serve as a base for regulatory compliance 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.

Environmental studies

For potential acquisitions and divestments, for example, 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 2022 is presented in the table on page 132.

Suppliers

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 (refer also to page 124), 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 similarly 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 and follow-up

Supplier assessments have primarily been conducted, as before, via Group-wide questionnaires, with questions related to human rights, OHS, environmental management and social responsibility. Unsatisfactory responses are investigated.

Refer to the table on page 132 for the year's outcome. The digital system for supplier assessments streamlines the process and make it more transparent.

In line with the company's climate target, follow-up of the climate performance of suppliers will be further developed over the next five years. One of the first steps taken already in 2021 was to begin cooperating with CDP Supply Chain for supplier follow-ups and development focusing on climate issues. The need of such follow-up and dialog heightened in 2022 when Trelleborg, in collaboration with KPMG, observed that a majority of the company's greenhouse gas emissions along the value chain (Scope 3) are supplier-related, refer to page 25.

In previous years, site visits with an audit based on a geographic and material risk assessment have focused on textile suppliers, chemicals suppliers and natural rubber suppliers. Audit activities were minimal in 2020–2022, partly due to the pandemic and partly as there were very few new suppliers in these areas.

In 2022, Trelleborg resolved to develop the general review of suppliers under a new system, together with a third party. A renewed risk analysis of the supply chain will be performed in consultation with this partner.

The Code of Conduct is the basis for all compliance

Trelleborg's Code of Conduct in the areas of environment, occupational health and safety, and ethics forms a basis for all operations in the Group, and applies to all employees, without exception. All employees are to complete a refresher course in the Code of Conduct every three years, at a minimum.

A comprehensive review of the Code of Conduct was carried out in 2019 when a new version was released containing updated regulations in areas such as trade restrictions, information processing and diversity. A global training initiative started that year, and more than 82 percent of all employees have received training in the Code in the following years. E-learning and other training material is available in 15 languages.

The Code of Conduct 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. 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.

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 or directives are considered to form the core of the regulations Trelleborg applies in the area of Compliance:

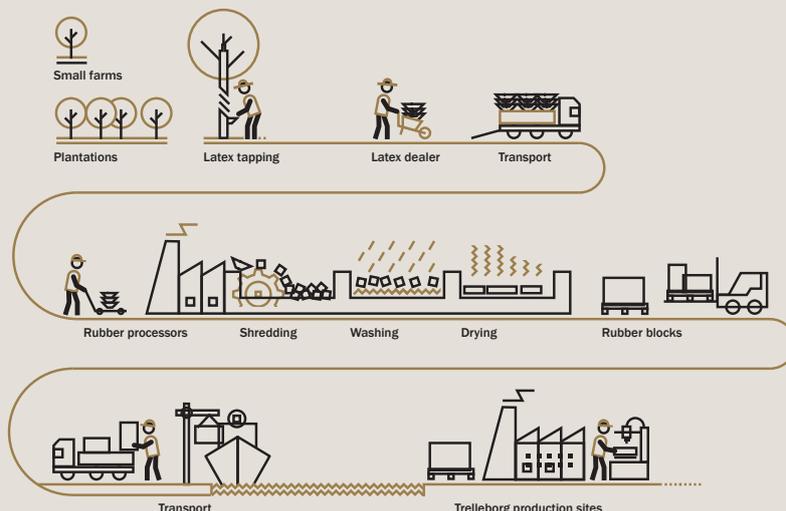
- » Anti-bribery and Anti-corruption Policy
- » Competition Rules Policy
- » Whistleblower Policy
- » Export Control Policy
- » Conflict of Interest Policy
- » Directive for Handling of Agreements
- » Data Protection Policy

PRODUCTION OF NATURAL RUBBER

The value chain for natural rubber is relatively long from grower to Trelleborg's production facilities. Three or four stages is not unusual, though this varies depending on the country/continent.

In 2021, Trelleborg joined the *Global Platform for Sustainable Natural Rubber*, an industry-wide initiative aimed at leading the global improvement of socioeconomic and environmental performance in the natural rubber value chain, with a particular focus on challenges such as deforestation and poor working conditions. Trelleborg has already adopted rules for its purchases of natural rubber and taken part in specific local activities to strengthen the global initiative's contact platform among smaller rubber producers in Sri Lanka.

Trelleborg also maintains its own continuous dialog with natural rubber suppliers, addressing themes such as working conditions, human rights and biodiversity. Dialogs include both meetings and visits to the production chain. Over the past ten years, major training initiatives and site visits have taken place in Sri Lanka, the Ivory Coast and in Southeast Asia.



OUTCOME IN 2022 IN THE AREA OF COMPLIANCE

Compliance	Where?	Outcome 2022	Goals and main governance
Anti-corruption and competition law	■	7,474 individuals (7,237) underwent various training courses in anti-corruption, competition law, contract management and so forth. This included both traditional classroom training and, to a strongly increasing extent, 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 more than 85 percent of all Group employees underwent training in the new Code of Conduct during that year. Training continued in between 2020 and 2022.	In 2021, a target was set for each employee to take the Code of Conduct course at least every three years.
Compliance (general)	■	One (0) significant breach of laws and permits was reported during the year. Nasdaq Stockholm's Disciplinary Committee decided in November 2022 to order Trelleborg AB to pay a fine equivalent to an amount of SEK 9.6 m as a result of the company's information disclosure procedures in connection with divestment rumors regarding the Trelleborg Wheel Systems business area in 2021. The Disciplinary Committee is of the opinion that Trelleborg should have acted more swiftly in disclosing information to Nasdaq Stockholm and that Trelleborg, on the matter, has breached the rules regarding the disclosure of information to the market.	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 page 130.
Compliance (environmental)	■	1 case (2) of fines or sanctions for breaches of environment or OHS-related laws and regulations were reported, totaling SEK 100,000 (80,000)	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, a total of 31 matters (18) were reported via the whistleblower system and other channels, concerning alleged harassment, safety deficiencies, injustices, or conflicts of interest. Relevant action was taken where necessary. In several cases, the matters were closed due to lack of relevance or insufficient evidence.	Trelleborg's Whistleblower Policy implies that every employee is entitled to report suspicions of legal or regulatory violations without repercussions.
Discrimination	■	7 cases (4) of discrimination or equivalent were reported, 5 in the US, 1 in the UK and 1 in Sweden. 3 cases (4) are under investigation, and 4 have been closed.	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	■	47 percent (44) of all employees at year-end 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 2022.	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 2022.	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 88.2 percent (89.4) of the reported relevant purchasing spend in the production units. 1 supplier relationship (1) was terminated in 2022 for reasons related to the Code of Conduct.	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 90 percent of the reported relevant purchasing spend. Site visits with an audit of "at-risk suppliers" (selection based on geographic and material risk assessment) previously supplemented the self-assessments. Refer also to page 131.
Environmental management systems	■	At the end of 2022, 83 units (87) were certified under ISO 14001, corresponding to 70 percent (69) of all relevant facilities.	The goal is that all major production units will have an ISO 14001-certified environmental management system. The difference compared with last year is that several certified units were divested.
Unplanned emissions	■	During the year, no cases (2) of unplanned emissions were reported.	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 6 units (5). Another 10 facilities (10) are expected to require remediation, although the extent has not yet been determined. Provisions for environmental liabilities amounted to SEK 93 m (65).	Trelleborg is also active as one of several parties in additional cases of remediation, although with marginal liability for costs.
Environmental studies	●●● □	In 2022, 12 environmental studies (8) were carried out at the various facilities.	Environmental studies are conducted to assess and outline the environmental impact of the facilities and identify potential environmental liabilities for the company in question, often in connection with acquisitions or closures.

Symbols: ■ = Internal, all units ■ = Internal, all production units ●●● = Internal, certain units □ = External, suppliers or acquisition candidates

Broad-based social engagement

Trelleborg engages with the community wherever the Group operates. A number of the engagements have existed for several years in locations where they make a clear difference, including Sri Lanka and China, where youth development is supported through school projects and also in Sweden, where school commitment has increased. Global partnership and guidelines form another aspect of Trelleborg's community engagement and sustainability dialog.

Trelleborg's value for society

In the longer term, Trelleborg's products and solutions represent the company's broadest and clearest contribution 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 the essential in society, such as the environment, people, infrastructure and assets, which is described, for example, on page 123.

Trelleborg's total value creation and its distribution in 2022 between various stakeholders in society is presented on page 17 and in the table on page 134.

Local development programs

In all of the different places in which the Group operates, Trelleborg aims – through local engagement and involvement – to support groups including children/young people or functionally diverse individuals.

This is usually through educational and development initiatives, often focusing on meaningful recreational activities, such as sports and health activities. Various types of these development programs, often with a focus either on education or sports/health, are ongoing at all major facilities globally. One positive, long-term effect of such initiatives is that young talent are made aware of Trelleborg as an employer.

A third, common focus area for engagement in Trelleborg's various units worldwide is the voluntary involvement of the employees in various local community projects or programs. The overall outcome of the Group's extensive social engagement is reported on page 134.

One relatively new shared concept is Trelleborg SportsClub, focusing on sports training, education and coaching, with several pilot projects currently ongoing in Sweden.

In addition to the aforementioned initiatives, Trelleborg collaborates with a number of schools and universities, such as internships with the University of Malta, exercises with Örebro University (refer also to page 116) and lectures/exercises with Lund University/the International Institute for Industrial Environmental Economics in Sweden, as well as collaborations with various interest groups.

Sri Lanka

In partnership with the non-profit organization Star for Life and a local NGO, a school program has been ongoing in Sri Lanka since 2012 and this was extended over time to include two schools: Kelani College and Bellana College. 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. The program at Kelani College was evaluated in 2017 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 2022, program activities were affected by the Coronavirus situation in the country to a much lesser degree than in 2020–2021. Program activities were resumed and appreciated by school directors and staff after an extraordinary situation during the preceding year. The older classes did not open again until November 2021 after being closed for 1.5 years.

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

India

In 2022, partnerships with several different voluntary organizations in India continued. A new partnership was launched between Trelleborg Sealing Solutions in Bengaluru and the local organization Aahwahan Foundation, aimed at supporting tree planting in the region. Some of the new trees planted will have a medical value, and Trelleborg employees will also

contribute to local planting work. Another important initiative is a scholarship program that supports further education for talented young people in collaboration with the Akshaya Patra Foundation, as is the multiannual cooperation with the Hand in Hand organization (that previously ran a Village Uplift Program) with support for a hospital located near one of Trelleborg's production facilities in Bengaluru.

China

One of the most recent major initiatives in China addresses rural areas and school children whose parents have moved far away to work and often hand 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 ten support centers for these young people. These 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. Refer also to the next page for examples of social engagement in China.

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 clubs that stand out as having used sport as a method for community initiatives, such as creating social interaction and meaningful recreational activities for various groups of young people.

Trelleborgs FF conducts youth activities that use a Star for Life model, as described above, that has been adapted for Sweden, called Motivationslyftet ("Motivation Boost").

The Helsingborg club Ramlösa Södra has a *Idrott för alla* (Sports for All) division that engages functionally diverse young people, that Trelleborg has supported for some ten years.

Global partnerships and guidelines

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

Since 2007, Trelleborg has openly reported climate data to the CDP organization (refer to page 24), for transparency toward all stakeholders in the business with regard to emissions, risks/opportunities and other material climate-related information. Similar reporting of water issues to the CDP has been added in recent years. Reporting also began for forest (for Trelleborg solely for natural rubber).

Trelleborg's work to promote a sustainable natural rubber chain is mainly pursued through membership in the Global Platform for Sustainable Natural Rubber, an industry-wide initiative aimed at leading the global improvement of socioeconomic and environmental performance in the natural rubber value chain, refer also to page 131.

Since 2008, Trelleborg has applied applicable Global Reporting Initiatives (GRI) guidelines for sustainability reporting, and Trelleborg's auditors have conducted a third-party review of the results.

Since 2021, Trelleborg has also collaborated with CDP concerning dialog with suppliers and evaluation of the climate footprint of selected suppliers.

UN Sustainable Development Goals (SDGs)

Trelleborg describes its sustainability work according to the UN SDGs in accordance with how this framework is used as the basis for sustainability communication and dialog between companies, the finance market, politicians and citizens in respect of the shared agenda for society until 2030.

An index of the link between Trelleborg's operations and the UN goals, including a risk description, is available on page 117, while the commercial relevance is also described with product examples on page 123.

OUTCOME IN 2022 IN THE AREA OF SOCIAL ENGAGEMENT

Social engagement	Where?	Outcome 2022	Goals and main governance													
Distributed economic value	<div style="display: flex; align-items: center;"> <div style="width: 10px; height: 10px; background-color: #8B4513; margin-right: 5px;"></div> <div style="width: 10px; height: 10px; border: 1px solid #8B4513; margin-right: 5px;"></div> </div>	<p>In total, Trelleborg's continuing operations generated economic value of SEK 30,571 M (24,248) of which SEK 27,032 M (25,949) is distributed between stakeholders (suppliers SEK 14,970 M, employees SEK 9,168 M, shareholders SEK 1,481 M, society SEK 984 M and creditors SEK 429 M).</p> <p>Refer also to page 17.</p>	<p>Distributed value 2022</p> <table border="1"> <caption>Distributed value 2022</caption> <thead> <tr> <th>Stakeholder</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Suppliers</td> <td>55%</td> </tr> <tr> <td>Employees</td> <td>34%</td> </tr> <tr> <td>Shareholders</td> <td>5%</td> </tr> <tr> <td>Society</td> <td>4%</td> </tr> <tr> <td>Creditors</td> <td>2%</td> </tr> </tbody> </table>	Stakeholder	Percentage	Suppliers	55%	Employees	34%	Shareholders	5%	Society	4%	Creditors	2%	<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 accentuated by Trelleborg's various products and solutions that contribute to the sustainability of society (more on page 123).</p>
Stakeholder	Percentage															
Suppliers	55%															
Employees	34%															
Shareholders	5%															
Society	4%															
Creditors	2%															
Local communities	<div style="display: flex; align-items: center;"> <div style="width: 10px; height: 10px; border: 1px solid #8B4513; margin-right: 5px;"></div> </div>	<p>100 percent, that is to say all of Trelleborg's plants with more than 50 employees conducted social engagement activities in 2022, see examples on page 133.</p> <p>Major educational and development programs are being run in such countries as Sri Lanka (two schools for pupils at the equivalent of secondary level), India and Sweden. A new program for school children in China was started in 2019.</p>	<p>All plants with more than 50 employees are to conduct regular social engagement according to their good relationships with the local community. The initial focus is on educational and development initiatives for children and young people, as well as sport and health initiatives and, in certain cases, volunteer activities by employees. Group-wide programs are coordinated by Group Communications.</p>													

Symbols: ■ = Internal, all units ■ = Internal, all production units ■■■ = Internal, certain units □ = External, suppliers or acquisition candidates

GRI Standards Index and TCFD 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, and according to the TCFD's four thematic areas. A supplementary index according to the UN Sustainable Development Goals with a risk/impact overview can be found on page 117.

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) for each focus area, can be found in the second column in **bold**.

Column 3 contains references to the Task Force on Finance-related Financial Disclosures' (TCFD) guidelines.

A more detailed GRI Content Index with boundaries and omitted parts is included in the separate Sustainability Report for 2022. This will be available for download from April 2023 on www.trelleborg.com/About Us/Sustainability.

The 2022 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	TCFD areas	Pages in the 2022 Annual Report
COMPANY'S SUSTAINABILITY PROFILE			
CEO's comments	2-22 (2021)		4–7
Governance structure	2-9 (2021)	Management of climate issues	24, 43, 50–51, 53
		Climate strategy	23–25
Climate risks and opportunities	201-2	Climate change mitigation	52, 118–123
Trelleborg's profile, incl. business model, products and markets	● 2-1 (2021), 2-6 – 2-7 (2021), ● 201-4		Cover, 1, 3, 9–13, 15–23, 25, 27–35, 37, 63, 81, 88, 95, 115, 124, 140–141
Code of Conduct/Group policies, values and principles	● 2-23 (2021), 2-28 (2021)		2, 17, 22–24, 51, 124, 128, 130–133
Stakeholder engagement	2-29 – 2-30 (2021)		17, 116–117, 130
Report profile, incl. materiality analysis	2-2 – 2-5 (2021), 3-1 – 3-2 (2021)		2, 51–53, 86–87, 116–117, 135–136, 140–141
FOCUS AREAS WITH SUSTAINABILITY ASPECTS			
Operations: Resources	103-1 – 103-3		24, 124–127
Energy	● 302-1, 302-3 – 302-4		23, 124, 126
Climate and emissions	● 305-1 – 305-5, 305-7	Climate-related metrics and targets	9, 23–25, 116–117, 124–127
Water	● 303-1 (2018), 303-3 (2018)		125–126
Waste	● 306-1 – 306-5 (2020)		23–24, 124–125, 127
<i>Chemicals</i>	● 102-11		124
Operations: Employees	103-1 – 103-3		128–129
Health and safety	● 403-1 (2018), 403-8 – 403-10 (2018)		9, 128–129
Professional development	● 404-2		129
Diversity categories	● 405-1		47, 128
Compliance	103-1 – 103-3		130–132
Anti-corruption	● 205-2 – 205-3		9, 130, 132
Competition issues	● 206-1		130, 132
Regulatory compliance (general)	● 419-1		130–132
Regulatory compliance (environmental)	● 307-1		130, 132
Human rights (Non-discrimination, freedom of association and collective bargaining, child labor and forced labor)	● 406-1, 407-1, 408-1, 409-1		9, 130, 132
Compliance in supply chain	● 308-2, 414-1 – 414-2		9, 131–132
Social engagement	103-1 – 103-3		133–134
Community development and value distribution	● 201-1, 413-1		9, 17, 133–134

Requirements in the Annual Accounts Act concerning sustainability reporting: ● Business model ● Risks ● Policy/Target ● Anti-corruption ● Environment ● Human rights ● Social conditions incl. diversity

Auditor's Assurance – 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 Trelleborg AB to undertake a limited assurance engagement of the Trelleborg AB Sustainability Report for the year 2022. The Company has defined the scope of the Sustainability Report on page 135 and the Statutory Sustainability Report on page 46.

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 on page 135 in 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 (revised) 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 International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or 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, March 2, 2023

Deloitte AB

Signature on Swedish original

Hans Warén
Authorized Public Accountant

Lennart Nordqvist
Expert Member of FAR

Sustainability metrics 2022 for continuing operations

In line with the financial statements, Trelleborg presents selected sustainability metrics for continuing operations, including adjusted history. The reasons for this is that metrics for 2022 show in many cases a clear variation in a comparison between the total operations and the continuing operations.

THREE-YEAR OVERVIEW, CONTINUING OPERATIONS

	2022	2021	2020
Energy, GWh	558	561	519
Direct energy, GWh	201	193	173
Indirect energy, GWh	357	368	346
Energy consumption in relation to net sales, GWh/SEK M	0.019	0.024	0.024
Proportion of renewable energy, %	24.9	17.9	9.6
Total CO ₂ emissions, metric tons	109,019	122,366	141,946
Direct CO ₂ emissions, metric tons	41,021	38,976	35,467
Indirect CO ₂ emissions, metric tons	67,999	83,390	106,479
CO ₂ emissions in relation to net sales, metric tons/SEK M	3.6	5.2	6.6
Water use, m ³	1,457,669	1,698,325	1,408,425
Water use in relation to net sales, m ³ /SEK M	48.5	71.9	65.8
Waste, metric tons	28,570	31,361	26,602
Waste in relation to net sales, metric tons/SEK M	0.95	1.33	1.24
VOC emissions, metric tons	208	195	178
VOC emissions in relation to net sales, metric tons/SEK M	0.007	0.008	0.008
Nitrogen oxides, metric tons	16	15	14
Sulfur dioxide, metric tons	7	5	21
LWC, no. (accidents)	134	148	135
LWC frequency, per 100 employees	1.3	1.6	1.5
Net sales	30,095	23,789	21,494

Sustainability ten-year overview

Focus area	Key figures	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Operations¹											
Health and safety	LWC (Lost Work Cases – cases resulting in at least one day's absence)	175	217	218	361	422	438	402	238	223	209
	LWC per 100 employees	1.1	1.4	1.4	2.0	2.2	2.4	2.4	1.9	2.0	2.0
	Fatal accidents	0	0	0	1	2	0	0	–	–	–
Gender	Percentage of women on the Board	43	43	43	38	38	38	33	33	29	29
Energy	Total energy consumption, GWh	1,329	1,394	1,308	1,414	1,486	1,493	1,248	942	903	873
	Energy consumption, GWh per SEK M	0.030	0.039	0.040	0.039	0.044	0.047	0.047	0.038	0.040	0.041
	Proportion of renewable energy, %	15.2	11.1	10.3	3.6	–	–	–	–	–	–
Climate	Total CO ₂ emissions, metric tons	317,000	349,200	358,400	429,400	442,800	487,200	385,000	280,000	276,900	260,800
	CO ₂ emissions, metric tons per SEK M	7.1	9.8	10.9	11.7	13.0	15.4	14.2	11.3	12.3	12.1
Water	Water use, million m ³	2.27	2.44	2.19	2.31	2.29	2.36	2.18	1.85	1.98	2.0
	Water use, m ³ per SEK M	50.9	68.4	66.5	63.1	67.4	74.7	80.4	74.6	87.7	88.5
Emissions	VOC emissions, metric tons ²	681	724	659	564	655	952	1,005	903	1,195	1,049
	VOC emissions, metric tons per SEK M ²	0.015	0.020	0.021	0.015	0.019	0.030	0.037	0.036	0.053	0.049
	SO _x emissions, metric tons	65	74	55	113	181	187	184	204	216	189
	NO _x emissions, metric tons	53	55	48	55	62	65	54	45	41	38
Waste	Waste, metric tons	48,427	50,329	46,300	54,600	54,700	53,500	50,600	44,500	44,700	45,350
	Waste, metric tons per SEK M	1.1	1.4	1.4	1.5	1.6	1.7	1.9	1.8	2.0	2.1
Compliance¹											
Compliance (general)	Number of material breaches of laws and permits during the year	1	0	0	0	0	0	0	0	0	0
Compliance (environmental)	Number of breaches of laws and permits resulting in fines or sanctions	1	2	2	3	2	5	3	4	3	0
Discrimination	Number of reported cases	7	4	5	11	7	5	5	8	1	1
Freedom of association	Proportion of employees that are represented by a trade union through collective agreements	47.0	44.0	51.0	51.0	54.0	53.0	54.7	52.2	48.1	51.5
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	88.2	89.4	88.9	86.4	85.5	84.0	80.6	84.0	84.0	81.4
	Number of audits of at-risk suppliers during the year (started 2015)	0	0	0	10	22	15	14	12	–	–
Social engagement¹											
	Net sales, SEK M	44,637	35,623	32,836	36,588	34,005	31,581	27,145	24,803	22,515	21,473
	Economic value distributed among stakeholders, SEK M ³	27,032	30,125	29,616	33,035	31,148	29,127	25,053	22,797	20,808	20,211
	Taxes paid, SEK M ³	984	978	772	763	919	732	593	472	627	587

All data in this overview was reported in the respective years, with the exception of climate figures for 2018, which were adjusted in 2019, and VOC emissions figures for 2020 and 2021, which were adjusted in 2022.

¹ The entire Group including discontinuing operations.

² The figures for 2020 and 2021 have been corrected after discrepancies found between monthly reporting and annual reporting.

³ The 2019–2022 period relates to continuing operations at the respective times.

Financial ten-year overview

SEK M, unless otherwise stated	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Continuing operations¹										
Net sales	30,095	23,789	21,494	23,945	21,625	19,746	17,747	16,982	15,586	14,425
EBIT	4,825	3,820	2,746	2,672	3,265	3,472	2,406	2,411	2,196	1,551
Profit before tax	4,595	3,680	2,553	2,427	3,097	3,344	2,273	2,338	2,109	1,405
Net profit, continuing operations¹	3,429	2,709	1,869	1,633	2,295	2,481	1,651	1,680	1,558	930
Net profit, discontinuing operations ¹	1,828	1,007	842	-1,832	895	393	4,934	925	669	687
Total net profit/loss, Group	5,257	3,716	2,711	-199	3,190	2,874	6,585	2,605	2,227	1,617
– shareholders of the Parent Company	5,260	3,717	2,712	-199	3,190	2,874	6,585	2,603	2,221	1,609
– non-controlling interests	-3	-1	-1	0	-	-	0	2	6	8

Group										
Equity	37,488	32,998	28,953	28,861	29,767	27,216	25,137	18,622	17,776	14,877
Capital employed ²	59,244	42,246	39,699	44,276	40,692	37,817	38,246	25,492	25,157	20,713
Net debt ²	20,897	8,367	10,026	14,914	10,499	10,154	12,784	6,837	7,777	6,087
Total assets	77,066	55,640	53,764	56,171	51,582	48,612	48,354	34,390	33,067	27,288
Equity/assets ratio, %	49	59	54	51	58	56	52	54	54	55
Debt/equity ratio, % ²	56	25	35	52	35	37	51	37	44	41
Capital turnover rate, multiples ²	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.9	1.0	1.0
Investments in property, plant and equipment ³	1,643	1,359	1,106	1,632	1,822	1,343	1,074	1,241	962	852
Investments in intangible assets	133	111	114	165	121	94	74	73	63	70
Cash flow attributable to acquisitions	-11,199	-573	3	-3,066	-440	-226	-13,380	-681	-1,912	-234
Cash flow attributable to discontinuing operations	149	616	147	-	4	649	6,165	1,390	152	-19
Free cash flow	3,305	3,310	3,916	2,684	2,494	2,434	2,368	1,452	1,751	965
Free cash flow per share, SEK ⁴	12.52	12.21	14.45	9.90	9.20	8.98	8.74	5.36	6.46	3.56
Return on shareholders' equity, %	14.9	12.0	9.4	-0.7	11.2	11.0	30.1	14.3	13.6	11.2
Earnings per share, SEK ⁴	19.94	13.72	10.00	-0.73	11.77	10.60	24.30	9.60	8.20	5.93
Dividend to shareholders of the Parent Company ⁵	1,544	1,481	1,355	-	1,288	1,220	1,152	1,084	1,017	881
Dividend per share, SEK ⁵	6.00	5.50	5.00	-	4.75	4.50	4.25	4.00	3.75	3.25
Shareholders' equity per share, SEK ⁴	145.63	121.70	106.78	106.43	109.81	100.40	92.73	68.70	65.54	54.72
Average number of employees	20,973	20,995	21,425	22,952	22,420	22,112	19,423	15,713	15,425	14,827
– of whom, outside Sweden	20,044	20,045	20,434	21,827	21,286	20,990	18,312	14,533	14,196	13,563

Continuing operations excluding items affecting comparability¹										
EBITA	5,382	4,134	3,245	3,922	3,529	3,146	2,752	2,623	2,364	1,962
EBIT	5,066	3,903	3,006	3,690	3,338	2,963	2,623	2,541	2,321	1,909
Profit before tax	4,837	3,763	2,813	3,445	3,171	2,835	2,490	2,468	2,234	1,763
Net profit	3,638	2,781	1,995	2,547	2,362	2,046	1,818	1,776	1,654	1,254
EBITA margin, %	17.9	17.4	15.1	16.4	16.3	15.9	15.5	15.4	15.2	13.6
EBIT margin, %	16.8	16.4	14.0	15.4	15.4	15.0	14.8	15.0	14.9	13.2
Return on capital employed, % ²	15.9	15.1	11.2	13.5	15.1	14.4	14.3	16.5	18.2	16.7
Return on shareholders' equity, %	10.3	9.0	6.9	8.7	8.3	7.8	8.3	9.7	10.1	8.7
Earnings per share, SEK	13.80	10.26	7.36	9.40	8.72	7.55	6.71	6.54	6.08	4.60
Operating cash flow ²	3,732	3,298	3,855	3,206	2,523	2,729	2,614	2,235	2,118	1,681
Operating cash flow per share, SEK ²	14.14	12.17	14.22	11.83	9.31	10.07	9.64	8.25	7.81	6.20
Cash conversion ratio, % ²	74	85	128	87	76	92	100	88	91	88
Average number of employees	14,252	13,592	13,432	14,712	14,243	13,650	10,860	11,319	11,128	10,496

Continuing operations including items affecting comparability¹										
Return on shareholders' equity, %	9.7	8.7	6.5	5.6	8.1	9.5	7.5	9.2	9.5	6.4
Earnings per share, SEK	13.01	10.00	6.90	6.02	8.46	9.15	6.09	6.19	5.73	3.41

¹ For comparability, historical values have been adjusted to present the Group's continuing and discontinuing operations.

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 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 For 2022, dividend in accordance with the proposed treatment of unappropriated earnings, for other years refers to dividend paid.

FINANCIAL CALENDAR 2023

Interim report January–March	April 27
Annual General Meeting (Trelleborg)	April 27
Interim report April–June	July 19
Interim report July–September	October 26
Year-end report 2023	February 1, 2024

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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 2021 Annual Report was published in March 2022.

Questions regarding Trelleborg's annual report can be directed to karin.larsson@trelleborg.com.

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, 2021. 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.

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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 had annual sales of approximately SEK 30 billion in 2022 and operations in about 40 countries. The Trelleborg share has been listed on the Stock Exchange since 1964 and is listed on Nasdaq Stockholm, Large Cap.

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