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Trelleborg Sealing Solutions Germany GmbH

Stuttgart

Annual financial statements for the business year from 01/01/2017 to 12/31/2017

Management report for the 2017 financial year

Companies

The business activities of Trelleborg Sealing Solutions Germany GmbH include the distribution of products made of rubber, plastic and other materials, in particular sealing elements. In the 2017 financial year, Trelleborg Sealing Solutions Germany GmbH focused in particular on the sale of hydraulic sealing systems, diaphragms, molded seals, guides made from thermoplastics and composite materials, O-rings and radial shaft seals.

Course of business and framework conditions

The company is organized into the business areas “Industry” and “Automotive”. At the end of the year, the “Industry” division achieved sales of 13.3% over the previous year. According to the latest figures from the Consensus Forecast, industrial production in Germany was 3.4% above 2016.

The markets that are important to society, such as hydraulic, agriculture, construction and mining, recovered in 2017, after a sharp decline in previous years and stagnation in 2016.

The “Automotive” division was able to increase its sales by 2.9% compared to the previous year. According to LMC Automotive statistics, 3.4% more passenger cars were produced in Europe in 2017 than in 2016.

Overall, business development was very favorable, as sales were significantly higher than in the previous year.

Financial performance indicators

The development of the operating result (EBIT) is used as a key financial performance indicator for managing the Trelleborg Sealing Solutions Group. In addition to EBIT, operating cash flow and working capital are used as important financial performance indicators for internal control.

The key figures relevant to the assessment of the company have developed as follows:

		2017	2016
EBIT	KEUR	31,949	29,469
Operating cash flow	KEUR	12,175	18.007
Working capital	KEUR	25,475	30,032

Non-financial performance indicators

Employee

The company's management and employees take part in performance-based remuneration systems in different ways. The performance-based remuneration is fundamentally dependent on the achievement of company-related goals (EBIT, cash flow, sales and delivery reliability) as well as personal goals.

On the balance sheet date, the company employed a total of 5 DHBW students and 3 trainees who are being trained in technical and commercial professions. The company promotes its own offspring through close cooperation with (universities) schools. The company regards the qualification of junior employees against the background of demographic change as a core task and counts this as one of the most important tasks of the next few years.

The fluctuation rate is currently in the single-digit range, the reasons for this are the good social benefits, flat hierarchies and flexible working hours.

delivery reliability

The goal of improving the on time delivery requested to 95%, which was set very high in 2017, resulted in an improvement of the already very good value in 2016 from 92.1% to 93.5%.

Research and development activities

The focus of research and development activities is on the development of specific customer solutions as well as the technical support of the European marketing companies.

In 2017, the focus of the restructuring was again with the aim of increasing efficiency in the R&D area and thus increasing innovative strength.

In the R&D division, the number of employees decreased by 5 to 39 in 2017. Investments increased further to € 1,836 thousand (previous year: € 1,503 thousand).

The expenditures for research and development amounted to T € 5,661 (-14.2%) and, measured in terms of sales, have also decreased (1.6% of sales compared to 2.0% in 2016).

Development of society

Revenue from third parties in 2017 was € 183.9 million, or 9.0%, significantly higher than the previous year. The two areas of automotive and industry developed very differently. While Automotive achieved sales growth of 2.9%, Industry achieved sales growth of 13.3%. The automotive share of third-party sales is now 38.3%.

The total sales increased further to T € 361,209. They were T € 26,363 (+ 7.9%) above the previous year and above the forecast for 2017 (from € 330 million to € 340 million). This includes sales with sister companies, which increased to € 177,281 thousand and were 6.7% above 2016.

The overall margin fell slightly to 30.6% in the 2017 financial year.

The 2017 return on sales of 8.8% just missed the expectations of 9% - 10% and thus remained almost constant compared to the previous year. The order situation for third parties improved by 4.3% compared to the previous year. In the industrial sector, the order backlog rose by 44.5%, while the order backlog in the automotive sector fell by 10.7%.

The other operating income decreased by 5.6% to T € 6,061. This decrease is mainly due to a decrease in foreign currency gains.

Personnel expenses in 2017 rose by T € 2,721 (+ 6.4%). The general wage and salary adjustments as well as the good earnings situation and the associated higher bonus distribution led to this cost increase. Wages and salaries increased by T € 2,470 (+ 6.7%) and non-wage costs by T € 251 (+ 4.2%).

The increase in depreciation on intangible assets and property, plant and equipment by T € 411 results from an increase in the area of low-value assets as well as machinery and office equipment.

The other operating expenses increased by T € 441 (+ 1.2%) to T € 36,073. The main changes relate to management charges (-T € 3,680), losses from asset disposals (+ T € 1,217), IT consulting (+ T € 563) and software maintenance (+ T € 549).

The average number of employees (including trainees) decreased slightly in the financial year from 525 to 523. Per capita sales rose from T € 638 in 2016 to T € 691 in 2017. As of December 31, 2017, 524 people were employed.

The result after taxes rose from T € 29,347 to T € 31,830 (+ 8.5%). The return on sales reached a value of 8.8% (previous year: 8.7%).

Due to the existing domination and profit transfer agreement with the parent company Trelleborg Holdings Breuberg GmbH, Breuberg, the company does not report any income taxes for the financial year.

The total of the assets amounted to T € 104,533 in December 2017, which corresponds to an increase of T € 16,857 (+ 19.2%). This results from both an increase in fixed assets and current assets.

The net fixed assets increased by T € 8,405. Major investments were made in a new ERP system (T € 4,071), machines (T € 1,654) and hardware (T € 2,054). In addition, advance payments of T € 5,074 were made on property, plant and equipment. The majority of the asset disposals in 2017 result from a special write-off on software, which is justified in an ERP strategy change. The net investments from additions and disposals amounted to T € 11,543, which with ongoing depreciation of T € 3,138 led to an increase in fixed assets of T € 8,405.

The inventories increased by T € 4,775 (+ 11.5%) compared to the previous year, this is the result of increased sales and increased order lead times for the following year. The average storage increased from 45 days to 46 days.

Trade receivables from third parties are € 2,282 thousand higher than in December 2016. The reason for this is the increase in sales at the end of 2017 compared to the same period in the previous year.

The receivables from affiliated companies include receivables from the cash pooling with Trelleborg Treasury AB, Stockholm, Sweden, as well as receivables for deliveries of goods to sister companies, which rose from T € 11,025 to T € 12,410 (12.6%) in the reporting period.

The prepaid expenses and deferred income decreased slightly to € 1,614 thousand compared to € 1,849 thousand in the previous year.

Due to the existing profit transfer agreement with the parent company, the company's equity remains unchanged. Significant changes in balance sheet items of liabilities relate to liabilities to affiliated companies (+ T € 4,052), due to the higher profit to be transferred to the parent company Trelleborg Holdings Breuberg GmbH.

The other provisions increased by T € 2,238, largely influenced by an increase in the bonus and customer bonuses.

Trade payables (third parties) increased by T € 10,461 due to increased investments at the end of the year and an increase in liabilities for merchandise due to higher sales compared to the previous year.

The company achieved a positive operating cash flow of T € 12,175 (previous year: T € 18,007). The company is part of the financing network of Trelleborg Treasury AB, Stockholm, Sweden. The cash pool receivables amounted to € 7,364 thousand in the 2017 financial year (previous year: € 8,950 thousand).

Forecast, opportunities and risks of future development

The outlook for the 2018 financial year is optimistic. The sales and incoming orders in the first quarter of 2018 indicate an increase in business activity of around 7.4% compared to the same period in 2017.

The “Industry” division has a sales growth target of 4% compared to last year. Consensus Economics is forecasting industrial growth of 3.3% for Germany and 2.8% for Europe.

The “Automotive” division is mainly dependent on the production of motor vehicles on the European market. LMC is forecasting growth of 1.5% for 2018 compared to 2017. The "Automotive" division has also set itself a sales target of + 4%.

In total, the company expects total sales between € 365 million to € 375 million in 2018, an increase of approx. 4% compared to the 2017 financial year. The profitability should be stable at 8.5% - 9% of sales.

The heavy indebtedness, the persistent structural problems and the associated vulnerability of the European economy are still to be seen as a risk. Should the situation worsen and have an impact on the European economy, not only would there be a drop in sales, but also margin losses - due to smaller purchase quantities - inevitable. The political situation in the USA, Russia and Turkey also harbor a risk potential that is very difficult to foresee.

Since some of the purchases are made on a dollar and yen basis and sales with customers are made in euros, there is a risk of margin losses. In order to avoid this, the company has concluded forward exchange transactions and taken measures to purchase goods in euros.

We currently do not see any other special risks that could have a material impact on business development.

The company still sees the stabilizing and converging global economic development as an opportunity, as the vast majority of the company's customers have high export quotas. The restructuring of the economy in China towards innovative developments is associated with lower growth, but society also sees it as an opportunity.

outlook

Thanks to the broad customer base in almost all branches of German industry, the company is well positioned for 2018 as well. According to the assessment of the Deutsche Bundesbank, the German economy is growing strongly due to the very strong inflow of orders and the mood in the industry, which is at a record level. The growth of the gross domestic product in 2017 was 2.3%, the German Bundesbank expects another increase of 2.5% for 2018.

The great uncertainties remain, however, it remains to be seen how global economic growth will develop, how the trouble spots in the Near and Middle East will affect Europe, how the restructuring of the Chinese economy will affect.

Risk management methods in connection with currency hedging transactions

The company has a detailed monthly reporting system in accordance with Group guidelines and carries out monthly analyzes as part of this reporting. The organization has procedural instructions and guidelines, including an internal information and control system, in order to systematically identify risks in the company and to be able to counter them appropriately.

The company concludes currency forwards for its currency risks. The business is done with a group company, Trelleborg Treasury AB, Sweden.

In 2016, currency forwards were concluded for 2017 in the amount of € 43.6 million. Forward exchange transactions were made in British pounds sterling (€ 19.7 million), Swedish kronor (€ 12.8 million), American dollars (€ 5.1 million), Japanese yen (€ 3.7 million) and Danish kroner (€ 2.3 million).

Over 90% of the purchases and sales of goods from or to group companies are covered by this. To a small extent, external suppliers are also paid in foreign currency.

Declaration on corporate governance in accordance with Section 289a Paragraph 2 No. 4 in conjunction with V. m. Para. 4 HGB

According to §§ 36 and 52 GmbHG, the company is obliged to set target values and deadlines for their achievement for the proportion of women on the supervisory board, the management and the two management levels below. In accordance with paragraph 4 of the German Commercial Code (HGB), to make a statement about this in the management report.

Trelleborg Sealing Solutions GmbH has no supervisory board and therefore no quota for women.

The shareholders' meeting has not yet set a target for the proportion of women in management. In addition, no targets have yet been set for the proportion of women in the two management levels below the executive board. At the first management level below the company's management, 2 of the 14 positions are held by female executives. On the second management level, 5 positions out of a total of 32 positions are held by female executives. Target values and target dates have not yet been set by the management.

Stuttgart, March 26, 2018

C. Stehle, managing director

J. Sanguinette, managing director

J. Bosch, managing director

Balance sheet as of December 31, 2017

assets

	December 31, 2017 €	12/31/2016 €
A. Fixed assets		
I. Intangible Assets	6,027,747	4,489,035
II. Tangible assets	14,246,739	7,380,708
	20.274.486	11,869,743
B. Current Assets		
I. Inventories		
1. Raw materials and supplies	995.728	1,045,008
2. Goods	45.473.210	40.649.150
	46,468,938	41,694,158
II. Receivables and other assets		
1. Trade accounts receivable	13,399,826	11.117.606
2. Receivables from affiliated companies	19,772,588	19,974,616
3. Other assets	3,001,903	1,101,949
	36.174.317	32.194.171
III. Cash in hand, bank balances, and checks	1,252	68,633
	82,644,507	73,956,962
C. Prepaid expenses	1,614,125	1,849,419
	104,533,118	87,676,124

liabilities

	December 31, 2017 €	12/31/2016 €
	December 31, 2017 €	12/31/2016 €
A. Equity		
I. Drawn capital	1,025,000	1,025,000
II. Capital reserve	15,834,746	15,834,746
III. Retained earnings		
1. Other retained earnings	87,779	87,779
IV. Profit carried forward	5.020.207	5.020.207
	21,967,732	21,967,732
B. Provisions		
1. Provisions for pensions and similar obligations	2,156,557	2,282,630
2. Other provisions	14,313,163	12,075,393
	16,469,720	14,358,023
C. Liabilities		
1. Trade accounts payable	19,419,007	8,957,961
2. Liabilities to affiliated companies	45.096.664	41,044,954
3. Other Liabilities	1,579,995	1,347,454
	66,095,666	51.350.369
	104,533,118	87,676,124

Income statement for the fiscal year from January 1 to December 31, 2017

	2017 €	2016 €
1. Sales	361.209.331	334.846.449
2. Other operating income	6,061,294	6,418,019
	367.270.624	341.264.468
3. Cost of materials		
a) Expenses for raw materials and supplies and for purchased goods	-245.094.177	-225,385,985
b) Expenses for purchased services	-5,615,647	-5,370,652
	-250,709,823	-230,756,637
3. Personnel expenses		
a) Wages and salaries	-39.192.975	-36,722,446
b) Social security and pension and support expenses	-6.208.249	-5,957,720
	-45,401,224	-42,680,166
4. Depreciation on intangible assets and property, plant and equipment	-3,138,232	-2,726,945
5. Other operating expenses	-36,072,620	-35,631,651
	31,948,724	29,469,069
6. Other Interest and Similar Income	130	7th
7. Interest and Similar Expenses	-118,396	-121,792
	-118.266	-121,785
8. Profit after tax	31,830,458	29,347,284
9. Other taxes	-106,688	-106,455
10. Annual surplus before profit transfer	31,723,770	29,240,829
Profits 11 transferred on the basis of a profit transfer agreement	-31,723,770	-29,240,829
12. Annual net income	0	0

Appendix for the 2017 financial year

GENERAL EXPLANATIONS

Trelleborg Sealing Solutions Germany GmbH is based in Stuttgart and is registered at the Stuttgart District Court under the commercial register number HRB 21275. The company's annual financial statements are prepared in accordance with the provisions of the Commercial Code for large corporations and the supplementary provisions of the law on limited liability companies. We chose the total cost method for the presentation of the income statement.

Individual items in the balance sheet and income statement have been summarized for better understanding. These items are shown separately in the notes. The option to provide certain information in the appendix is generally used for reasons of clarity and clarity.

ACCOUNTING AND VALUATION PRINCIPLES, CURRENCY CONVERSION

Purchased intangible assets are capitalized at cost. Scheduled depreciation is carried out on a straight-line basis on the basis of useful economic lives of between 3 and 10 years.

Property, plant and equipment are valued at acquisition cost, reduced by scheduled, usage-related depreciation. Depreciation is generally carried out on a straight-line basis over the expected useful life. The useful lives of property, plant and equipment are essentially as follows:

Technical systems and machines: 5 to 15 years

Other equipment, fixtures and fittings: 3 to 13 years

The low-value assets within the meaning of Section 6 (2) EStG are written off in full in the year of addition and shown in the schedule of assets as additions and disposals.

In the case of inventories, raw materials, consumables and supplies and the goods are shown at average acquisition costs, unless the lower replacement costs were to be applied or a lower value was to be applied on the balance sheet date. Appropriate devaluations and value adjustments are made due to long storage periods and excess stocks as well as to take lower market prices into account.

Receivables and other assets as well as cash in hand, bank balances and checks are shown at their nominal values or at the lower fair values on the balance sheet date. In the case of trade receivables, appropriate individual value adjustments were made for identifiable risks.

Expenses before the balance sheet date are recognized as prepaid expenses insofar as they represent expenses for a certain period after this point in time.

The subscribed capital and the capital reserve are stated at their nominal value.

As of December 31, 2017, the pension obligations are valued according to actuarial principles using the so-called projected unit credit method. The Heubeck mortality tables 2005 G were used as the biometric calculation basis. The discount rate is based on the average market interest rate of the past ten years with an assumed remaining term of 15 years (3.68%). In addition, salary and pension trends as well as age- and gender-specific fluctuation probabilities are used.

The other provisions are set up in the amount of the settlement amount necessary according to prudent business judgment for uncertain liabilities and identifiable risks. Provisions with a remaining term of more than one year are discounted using the average market interest rate for the past seven financial years, which is determined and published regularly by the Deutsche Bundesbank in accordance with the Provision Discounting Ordinance.

Expenses from the compounding of provisions are reported under the item “Interest and similar expenses”. Any gains from changes in the discount rate are reported in the operating result.

The liabilities are stated at the settlement amount.

Business transactions in foreign currencies are generally recorded at the transaction rate at the time of the initial posting. Receivables and liabilities denominated in foreign currencies are valued at the mean spot exchange rate on the balance sheet date. With a remaining term of more than one year, the foreign currency valuation is carried out taking into account the acquisition cost or imparity principle.

As the company is a subsidiary, it does not have to account for deferred taxes.

NOTES TO THE BALANCE SHEET

ASSETS

Capital assets

The breakdown of the items of fixed assets summarized in the balance sheet and their development are shown in the schedule of fixed assets (appendix to the notes):

Receivables and other assets

As in the previous year, trade receivables and receivables from affiliated companies do not contain any amounts with a remaining term of more than one year.

Receivables from affiliated companies include trade receivables amounting to € 12,410 thousand (previous year: € 11,025 thousand).

It also includes receivables of € 7,364 thousand (previous year: € 8,951 thousand) from a cash pool agreement with Trelleborg Treasury AB, Stockholm, Sweden.

The other assets include items amounting to € 139 thousand (previous year: € 127 thousand) with a remaining term of more than one year. These are the asset values of the reinsurance for obligations from the company pension scheme.

LIABILITIES

Subscribed capital

The share capital is unchanged from the previous year at T € 1,025.

Capital reserve

The capital reserve of T € 15,835 results from merger profits in connection with the legal restructuring in 2000.

Provisions for pensions and similar obligations

The valuation of pension provisions was based on the projected unit credit method, taking into account an interest rate of 3.68% (previous year 4.01%) using the 2005 G mortality tables by Dr. Klaus Heubeck. The calculation is also based on the following assumptions:

	2017	2016
Salary trend	2.5%	2.5%
Pension trend	1.75%	1.75%
fluctuation	2.0%	2.0%

Assuming an average interest rate based on a 10-year period, the pension obligations amount to T € 2,157.

The change in the interest rate from a 7-year average to a 10-year average results in a total difference of T € 158, in accordance with Section 253 (6) HGB, which is barred from distribution.

Other provisions

The item mainly includes provisions for employee bonuses and bonuses, warranties, outstanding invoices for incoming goods, severance payments and annual reimbursements still to be paid amounting to € 14,313 thousand (previous year: € 12,075 thousand).

liabilities

The liabilities to affiliated companies include trade payables amounting to € 13,373 thousand (previous year: € 11,804 thousand). Liabilities to the shareholder amount to T € 31,724 (previous year: T € 29,241) and relate in full to liabilities from the profit transfer to Trelleborg Holdings Breuberg GmbH.

As in the previous year, other liabilities do not include any social security liabilities. It includes liabilities from taxes in the amount of T € 986 (previous year: T € 674).

As in the previous year, all liabilities are due within one year.

Derivative financial instruments

The company is exposed to currency risks in the course of its business activities. These are hedged mainly through the use of derivative financial instruments in the form of currency forwards. They are used in accordance with uniform guidelines, are subject to strict internal controls and, with few exceptions in terms of value, are limited to securing the company's operational business and the associated financial investments and financing transactions. The aim of using derivative financial instruments is to reduce the fluctuations in earnings and cash flows that are due to changes in exchange rates.

To hedge underlying transactions, derivative financial instruments are used for planned transactions in foreign currencies (hedging of purchases and sales of goods). If the legal requirements are met, valuation units within the meaning of Section 254 HGB are formed. The so-called freezing method is used to account for the effective parts of the valuation units formed. The effectiveness of the hedging relationships is determined prospectively and retrospectively on each balance sheet date using regression analysis.

The following valuation units were formed:

Planned transactions in foreign currency (micro hedge):

To hedge against foreign currency risks resulting from planned sales and procurement transactions denominated in GBP, SEK, JPY, USD and DKK, we conclude currency forwards. We assume that the hedged transactions have a high probability of occurrence, as these are routine transactions and the hedging is well below the planned total volume. The use of derivative financial instruments is also subject to clearly defined guidelines and strict internal controls.

The derivatives are combined with the opposing foreign currency transactions in valuation units (micro-hedge). Insofar as the valuation-relevant parameters of the underlying and hedging transaction do not change during the term of the hedging relationship and a complete compensation of the changes in value can be assumed, the opposing changes in the fair values of the underlying and hedging transactions are not taken into account in the balance sheet and earnings. The ineffective portions of the hedging relationships, i.e. non-offsetting changes in value and non-hedged foreign currency positions, are treated according to general valuation principles.

The nominal volume of the currency forwards concluded to hedge foreign currency transactions amounted to € 45.8 million as of December 31, 2017 with fair values of € -131 thousand (thereof positive market values of € 294 thousand and negative market values of € 425 thousand). They are due in 2018 and were not recognized in the balance sheet due to the highly effective hedging relationships.

The fair values of the derivative financial instruments are determined using valuation methods customary in the market, taking into account the market data (market values) available on the valuation date. Foreign exchange contracts are valued individually on the basis of the exchange amount with the current market forward rates on the balance sheet date compared to the agreed forward or contract rates. The market forward rates are based on the spot rates, taking into account forward premiums and discounts.

EXPLANATIONS ON THE PROFIT AND LOSS ACCOUNT

The total cost method was used for the income statement.

Sales

Sales are broken down according to geographic markets as follows:

	2017 T €	2016 T €
Domestic sales	139,609	127,801
Sales abroad		
with affiliated companies (at home and abroad)	177.281	166.151
with third parties	46,896	43,262
	363,786	337.214
Sales deductions	-2,577	-2,368
	361.209	334.846

The breakdown of sales by areas of activity (market segments) is shown below:

	2017 T €	2016 T €
Sales with affiliated companies	177.281	166.151
Automotive	70,488	68,722
Drive Systems	17,501	16,250
Machine tools	14,851	13,137
Food Beverage Water	14,118	3,736
Hydraulic components	13,883	11,978
Construction	10,217	7,021
Trade / technical dealers	9,407	9,305
Hydraulic cylinders	8,668	7,664
Automation	8,301	7,856
CPI / Oil + Gas	7,968	15,292
Agriculture	6,833	5,516
Health Care and Medical	3,509	3,911
Others (Swiss, Bulgaria export)	761	675
	363,786	337.214

	2017 T €	2016 T €
Sales deductions	-2,577	-2,368
	361.209	334.846

Other company income

The other operating income mainly includes exchange rate gains and income from the reversal of provisions. The assessment basis for determining the pecuniary benefit for employees from meals and car provision is also shown under other operating income. The income unrelated to the accounting period amounts to T € 894 (previous year: T € 308) and results mainly from the release of provisions. Income from currency conversion is included in the amount of T € 3,683 (previous year: T € 4,265).

Personnel expenses

Personnel expenses include pension expenses of € 524 thousand (previous year: € 583 thousand).

Other operating expenses

The other operating expenses mainly include IT, outbound freight, for buildings, group levies for management services, for exchange rate losses as well as for advertising and marketing, voluntary social benefits and other personnel costs, travel, entertainment and motor vehicles. As in the previous year, the other operating expenses do not contain any significant expenses unrelated to the accounting period. Expenses from currency translation are included in the amount of T € 3,840 (previous year: T € 4,008).

Interest and similar expenses

Interest and similar expenses include interest to affiliated companies of € 0 thousand (previous year: € 4 thousand). Interest expenses from the compounding of provisions amount to T € 86 (previous year: T € 89).

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

There were no contingent liabilities on the balance sheet date.

The following other financial obligations arise from rental, maintenance and leasing contracts:

due in the financial year	T €
2018	650
2019-2021	908
after 2021	0

The obligations relate to rented or leased vehicles, operating equipment and IT as well as the associated maintenance contracts.

As of the balance sheet date, there were other financial obligations to suppliers in the amount of T € 58,369 (previous year: T € 45,032) from outstanding orders for merchandise. The other financial obligations to suppliers from open orders for merchandise relate to affiliated companies in the amount of T € 43,200 (previous year: T € 35,956). Due to the lease for the new building, there were obligations of € 800 thousand.

OTHER INFORMATION

Average number of employees

	2017 number	2016 number
Employees	473	470
Wage earners	29	31
Temporary help	8th	9
trainee	13	15th
	523	525

Transactions not included in the balance sheet

A sale-and-lease-back contract was concluded with effect from January 1, 1996 (the contract has a term of 22.5 years and ends in June 2018). The entire property was sold. The sale took place in order to obtain liquid funds for the repayment of liabilities. A rental agreement for the new innovation center was concluded with effect from June 1, 2018. The lease has a term of 20 years. The obligations from both contracts amount to T € 2,437 per year.

A logistics contract was signed on October 26, 2005. The Logistics Center Europe was relocated. The conclusion of the contract resulted from organizational and cost-saving measures. The contract runs until October 2020. The obligations from the logistics contract amount to an average of T € 5,574 per year.

A factoring contract was signed on June 26, 2009. The contract initially ran for 2 years. Thereafter, it continues to run for an indefinite period, unless it is terminated by the end of the 24th month at the latest by the end of the 21st month. A termination has not yet taken place. The contract is a real factoring in which the risk of the customer's insolvency is transferred to the factor. The contract was concluded for accounting policy measures and for the procurement of additional liquidity. The factoring fee is 0.11% of the gross invoice amount; factoring fees of € 48 thousand (previous year: € 51 thousand) were incurred in 2017. The interest rate is 1.1% based on the EUONIA; In 2017, interest expenses of € 28 thousand (previous year: € 28 thousand) were incurred. With the conclusion of the contract, the company has the liquid funds at its disposal significantly earlier, and the risk of bad debts for the receivables sold was transferred.

Appropriation of profits

The profit for the 2017 financial year of € 31,724 thousand will be transferred to Trelleborg Holdings Breuberg GmbH on the basis of the profit transfer agreement.

Total auditor's fee

The calculated total fee of the auditor including cash expenses for the completed financial year is divided as follows:

	T €
Audit services	53
	53

Managing directors

The following gentlemen are appointed as managing directors of the company:

Carsten Stehle, MBA graduate engineer, Chairman of the Management Board, General Manager MC Germany

Jürgen Bosch, graduate industrial engineer, BU President Marketing Europe

Jochen Sanguinette, graduate industrial engineer, Managing Director TSS Germany & Director Global Marketing Automotive

The total remuneration of the management is not stated in accordance with Section 286 (4) of the German Commercial Code (HGB).

Supplementary report

After the end of the fiscal year ended December 31, 2017, there were no events of particular significance that would need to be reported here.

Consolidated Financial Statements

The annual financial statements of Trelleborg Sealing Solutions Germany GmbH are included in the consolidated financial statements of the ultimate parent company, Trelleborg AB, Trelleborg / Sweden. which prepares the consolidated financial statements for the smallest and largest group of companies in the group.These consolidated financial statements are available from Trelleborg AB, Corporate Communications, Trelleborg / Sweden, or on their website (www.trelleborg.com) and are stored in the Swedish electronic company register (www.bolagsverket.se) under the registration number 556006-3421.

Stuttgart, March 26, 2018

Carsten Stehle, Managing Director, Chairman

J. Bosch, managing director

J. Sanguinette, managing director

Development of fixed assets in the 2017 financial year

	Acquisition or manufacturing costs				
	As of 1.1.2017 EUR	Additions EUR	Rebookings EUR	Disposals EUR	As of December 31, 2017 EUR
I. Intangible Assets					
1. Concessions acquired against payment, industrial property rights and similar rights and assets as well as licenses to such rights and assets	26.231.297	248,407	914.307	8,282,925	19,111,086
2. Advance payments made	1,676,763	3,822,925	-902.271	83,889	4,513,528
	27.908.060	4,071,332	12,036	8,366,814	23,624,614
II. Tangible assets					
1. Technical systems and machines	6,781,150	1,653,790	957.820	238,564	9,154,196
2. Other equipment, factory and office equipment	8,291,288	2,568,740	510.866	841.291	10,529,603
3. Advance payments and assets under construction	2,124,428	5,074,172	-1,480,722	454.026	5,263,852
	17,196,866	9,296,702	-12,036	1,533,881	24,947,651
	45.104.926	13,368,034	0	9,900,695	48,572,265

	Depreciation			
	As of 1.1.2017 EUR	Additions EUR	Disposals EUR	As of December 31, 2017 EUR
I. Intangible Assets				
1. Concessions acquired against payment, industrial property rights and similar rights and assets as well as licenses to such rights and assets	23,419,025	1,251,249	7,073,407	17,596,867
2. Advance payments made	0	0	0	0
	23,419,025	1,251,249	7,073,407	17,596,867
II. Tangible assets				
1. Technical systems and machines	4,352,256	685.284	238.272	4,799,268
2. Other equipment, factory and office equipment	5,463,902	1,201,699	763,957	5,901,644
3. Advance payments and assets under construction	0	0	0	0
	9,816,158	1,886,983	1.002.229	10,700,912
	33.235.183	3,138,232	8,075,636	28.297.779

	Book values	
	As of December 31, 2017 EUR	As of December 31, 2016 EUR
I. Intangible Assets		
1. Concessions acquired against payment, industrial property rights and similar rights and assets as well as licenses to such rights and assets	1,514,219	2,812,272
2. Advance payments made	4,513,528	1,676,763
	6,027,747	4,489,035
II. Tangible assets		
1. Technical systems and machines	4,354,928	2,428,894

	Book values	
	As of December 31, 2017 EUR	As of December 31, 2016 EUR
2. Other equipment, factory and office equipment	4,627,959	2,827,386
3. Advance payments and assets under construction	5,263,852	2,124,428
	14,246,739	7,380,708
	20.274.486	11,869,743

Auditor's report

We have audited the annual financial statements - consisting of the balance sheet, income statement and notes - together with the bookkeeping system and the management report of Trelleborg Sealing Solutions Germany GmbH, Stuttgart, for the financial year from January 1 to December 31, 2017. The bookkeeping and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the company's legal representatives. Our task is to provide an assessment of the annual financial statements, including the bookkeeping, and the management report on the basis of the audit we have carried out.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB), taking into account the generally accepted German auditing principles established by the Institute of Auditors. Accordingly, the audit is to be planned and performed in such a way that inaccuracies and violations that have a material impact on the presentation of the asset, financial and earnings position conveyed by the annual financial statements in accordance with the principles of proper bookkeeping and the management report are given with reasonable assurance be recognized. When determining the audit procedures, knowledge of the business activities and the economic and legal environment of the company as well as expectations of possible errors are taken into account. As part of the audit, the effectiveness of the accounting-related internal control system and evidence of the information in the books and records, the annual financial statements and the management report are assessed primarily on the basis of random samples. The audit includes the assessment of the accounting principles used and the significant estimates made by the legal representatives, as well as the appraisal of the overall presentation of the annual financial statements and the management report. We believe

Our audit has not led to any reservations.

In our opinion, based on the knowledge gained during the audit, the annual financial statements of Trelleborg Sealing Solutions Germany GmbH, Stuttgart, comply with the statutory provisions and, in compliance with the principles of proper accounting, give a true and fair view of the company's assets, financial and earnings position. The management report is consistent with the annual financial statements, complies with legal requirements, overall provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Stuttgart, March 29, 2018

Deloitte GmbH
auditing company

Gillar, chartered accountant

Felde, auditor