Annual Report 2020

Nilörngruppen

NILORN
WORLDWIDE

Contents

NILÖRNGRUPPEN IN BRIEF

Nilörngruppen is an international group, founded in 1977, that adds value through branding and design in the form of labels, packaging and accessories to customers, especially in the fashion and garment industries. Nilorn aims to augment customer competitiveness by offering services covering all design resources, plus a logistics system that guarantees reliable and prompt deliveries.

Nilorn is one of Europe's leading players with sales of MSEK 618 and deliveries of more than 1.5 billion labels per year, of different sizes and types. Nilorn has operations in Sweden, Denmark, Norway, Finland, United Kingdom, Italy, Germany, Belgium, France, Portugal, Spain, Austria, Hong Kong, China, Bangladesh, Pakistan, India and Turkey. There are partner companies in Switzerland, Holland and USA.

Nilorn applies the motto 'maximum customer satisfaction'. The entire corporate structure is based on this central theme, which constitutes the basis for Nilorn's operations, from design to manufacturing, sales, logistics and service.

The vision is 'The best label & branding company worldwide'.

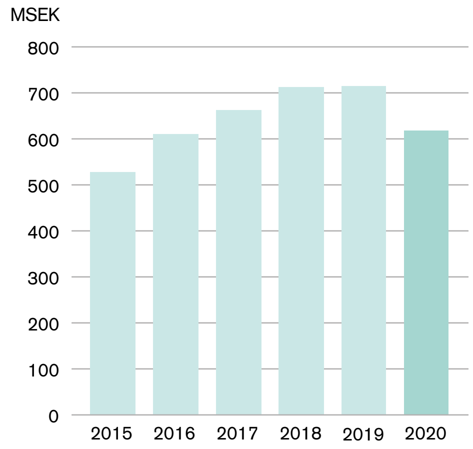
Year 2020 in brief

- Order bookings decreased by 13 percent to MSEK 653 (749).
- Consolidated sales in SEK decreased by 14 percent to MSEK 618 (715).
- Operating profit amounted to MSEK 50.8 (66.2).
- Profit for the year amounted to MSEK 33.5 (47.2).
- Earnings per share amounted to MSEK 2.94 (4.14).
- Cash flow from operating activities amounted to MSEK 74.7 (63.4).
- The Board of Directors proposes to the Board a dividend of SEK 2.00 (0.00) per share, corresponding to SEK 22.8 (0) million.
- Sustainability work continues to be a high-priority area.
- The factory in Bangladesh, which was started in December 2017, has had a very positive development.
- Lay-off grants received in Europe and Hong Kong contributed SEK 12.3 million and feared customer losses and inventory write-downs were charged with SEK 10.5 million.

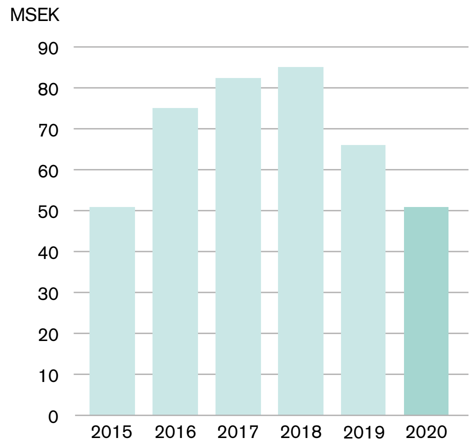
NILÖRNGRUPPEN IN NUMBERS

	2020	2019	2018	2017	2016
Net sales, MSEK	618.2	715.4	712.0	662.5	610.5
Operating profit, MSEK	50.8	66.2	85.2	82.4	75.0
Profit for the period, MSEK	33.5	47.2	70.7	65.0	56.2
Earnings per share, SEK	2.9	4.1	6.2	5.7	4.9
Return on capital employed, %	17.2	25.2	41.8	47.2	49.7
Return on equity, %	16.9	25.7	42.3	44.6	44.8
Equity ratio, %	49.7	45.3	53.0	49.2	50.8
Average number of employees	499	494	482	444	358

Net revenue



Operating profit



Dear shareholders, customers and employees

After 12 years as CFO of Nilorn, I had the privilege of taking over as CEO at the beginning of last year at the same time as the pandemic hit Europe with full force. We estimated at the time that sales would fall by 30 percent. But we were wrong. Our employees have done a fantastic job and adapted to the challenges that came in the wake of the pandemic and that affected everyone. The result was clearly better than feared where sales decreased by 9 percent, operating profit amounted to SEK 51 million and with relatively strong cash flow we had an closing net cash position of SEK 25 million. Despite, or perhaps thanks to, the challenges that prevailed in 2020, Nilorn has worked intensively to create structure to be prepared to take the next step. This applies, among other things, to sustainability, sales, purchasing and digital development.

"Our task is to be a partner that brings knowledge to our customers in areas that today require more and more specialist expertise."

Nilorn has a broad customer base with more than 1,000 customers around the world distributed in different segments, where customers with sales in outdoor and training developed positively during the year. Growth is taking place in e-commerce, but customers with sales through stores have struggled as both countries and stores have been shut down all over Europe in the wake of Covid-19.

Despite many challenges, our production operations in Bangladesh have developed very strongly and benefited from volumes moved from China, among others. Our investments in Bangladesh have given us a competitive advantage where our own production guarantees quality, availability and sustainability.

Interest in Connected products (RFID, NFC and unique QR codes) has been around for some time, but has taken off in the past year. Here it is mainly about RFID labels, but the development is also used to use NFC and/or QR codes on all garments. Nilorn's production of RFID labels involves printing, programming and controlling rfid labels. NFC chip, or a unique QR code, enables the brand to communicate with the end consumer, thereby increasing traceability and transparency. This is in line with the goal of a circular economy where we as a company want to contribute.

Our focus on a sustainable offering continues with the goal of being a leader in the industry. Nilorn believes in a holistic approach that includes the entire design, manufacturing and supply chain. Our ambition is to guide and help our customers choose a more sustainable label and packaging approach based on given conditions that are unique to each customer.

Our task is to be a partner that brings knowledge to our customers in areas that today require more and more specialist expertise. The physical product remains an important part, but the added value lies to a large extent in simplifying and clarifying in the above-mentioned areas. The same applies to laws and regulations regarding laundry council labels.

FUTURE
It remains a challenging market climate where several countries, customers and stores have closed down. The COVID-19 pandemic will continue to affect demand for the company's products, but it is very difficult to estimate how long and to what extent it is happening. In 2020, we received layoff support while limiting costs through lower activity. This year it will be compensated by increased volumes, while the ongoing vaccination makes us hopeful. As mentioned in the introduction, we have worked with structural improvements in the purchasing, CSR and sales processes. A work that will continue this year and that makes us even stronger.

Net cash (excluding IFRS16) amounted to SEK 24.8 (-33.9) million, and we have approximately SEK 120 million in external bank credits, of which approximately SEK 29 million was utilized at year-end. This means that we have the opportunity to take advantage of any opportunities that arise.

Our employees show great solidarity where the Nilorn offices help each other, and where suppliers and customers cooperate. I am convinced that with the improvement measures that have been taken, and once we have got through the corona crisis, Nilorn is relatively stronger and can continue the positive trend we have had over the last 10 years.

Borås, 27 March 2021

Krister Magnusson
CEO Nilörngruppen AB

Business concept, goals & strategy

VISION
”The best label and branding company worldwide.”

BUSINESS CONCEPT
Nilorn’s business concept is to offer sustainable profiling concepts that strengthen the image of customer brands. The concepts contain branding and design, product development, integrated logistics solutions and RIS (Retail Information Service). Nilorn’s business concept is summarised in ‘Adding value to your brand’.

GOAL
Nilorn’s overriding and long-term goal is to be one of the leading players in the markets where the Group is established.

STRATEGY
The strategy is aimed at profitable growth based on a strong offer in branding and design, increase international presence through expanding internationally - by growing the service and manufacturing network and sharper emphasis in the areas of Retail Information Service (RIS) and Radio Frequency Identification (RFID). Efforts are focused on sustainability with the goal of being the leader in this area.

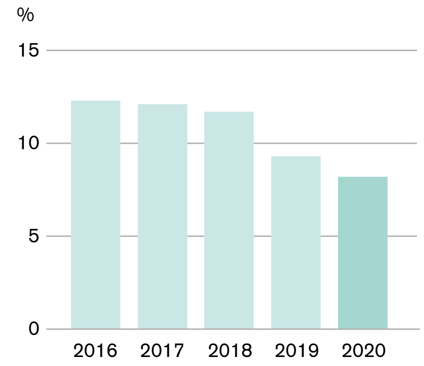
The strategy is to increase the value content of the products, to establish even closer co-operation with key customers, to utilise collective resources and to optimise the manufacturing structure with respect to in-house manufacturing and co-operation with partner companies. The strategy means that Nilorn aims to assume a clear position as a leading global player with a product and service offering that offers added value for the customers.

VALUES
Nilorn is a decentralised organisation with a great deal of freedom under responsibility where the Group’s values function as a guideline. This gives individual employees the opportunity of acting on their own, which our customers experience in the form of fast service. A great deal of work is put into disseminating Nilorn’s values, thereby creating a feeling of ‘we’ in the Group. At Nilorn we aim to find simple solutions, which is a must in a decentralised organisation with quick decision making.

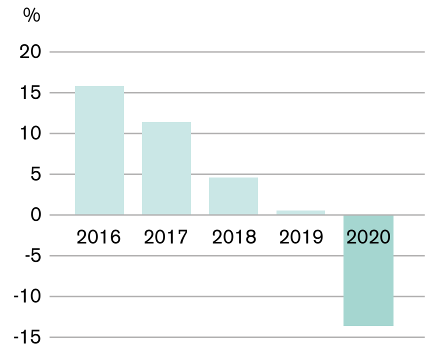
GROWTH AND PROFITABILITY GOALS
Nilorn strives for sustainable and profitable growth. The goal for growth is 7 percent per year with an operating margin exceeding 10 percent and net liabilities not exceeding two times profit before interest, taxes, depreciation and amortisation (EBITDA).

Over the past five years annual growth has been 4 percent with an operating margin of 11 percent.

Operating profit margin by year



Growth in percent per year



Nilorn – The small company's flexibility with the big company's synergies

OWN PRODUCTION – EXTERNAL SOURCING

Historically, Nilorn was a label producer with production in Europe, in, among other countries, Sweden, Germany, Belgium, England, Denmark and Portugal. Much of this production has been terminated or sold and the former production companies have become our sales units in Europe, but the tradition and the technical knowledge remains. This is a great advantage in discussions with and advising our customers.

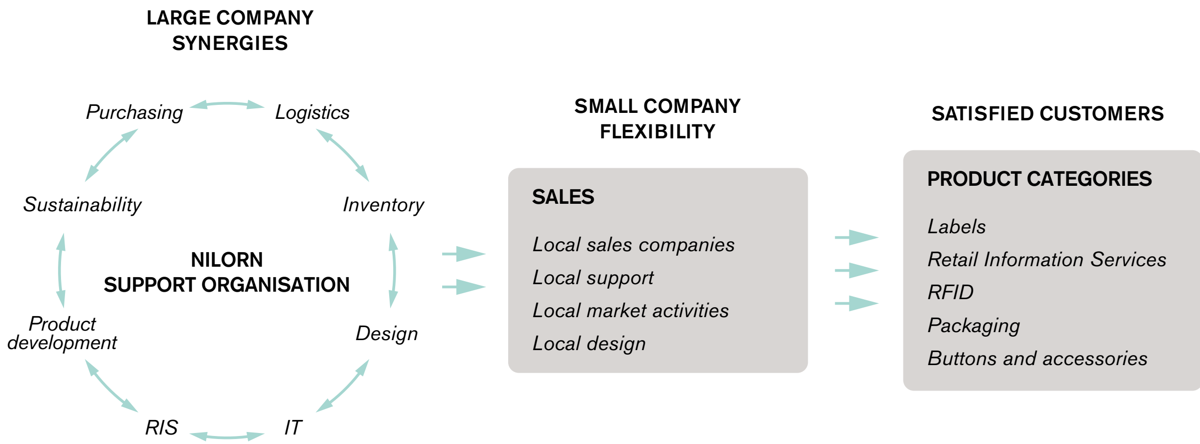
Nilorn still has production in Portugal of both woven and printed labels and during 2017 we started similar production in Bangladesh. We also have our own production of printed labels in England, Germany, Turkey and Hong Kong and close co-operation with external key suppliers in other countries such as China, Hong Kong, India, Pakistan, Turkey, Italy and others. The internal production accounts for 12-15 percent of consolidated sales. In-house production of labels with variable data (Retail Information Service) is a prerequisite for providing a high level of service (control of quality and lead time), since they are produced at the time of order as opposed to other labels, such as woven, which are inventoried and delivered 'from the shelf'. The production in Portugal gives us the opportunity of short lead times for delivery in Europe at the same time as retaining the technical know-how within the Group. This was an advantage when starting the factory in Bangladesh. Bangladesh is an important textile nation with a high rate of growth, but also a country where it is difficult to gain control over quality, working conditions and sustainability. By starting our own production in this country, we gain control over service, quality and especially, CSR - and we are therefore in a position to secure the offer to our customers.

Limited own production gives Nilorn the flexibility to operate in the country where the customers want delivery rather than focusing on filling our own factories. This allows us to provide better service to our customers at the same time as it gives Nilorn increased flexibility to adapt costs to demand.

TRANSFORMATION TO A PROFITABLE GROWTH COMPANY

Since 2009 Nilorn has undergone a transformation from previously having been focused on production to a group that is steeped in service and puts the customer at the centre. Nilorn has built and now has distribution units in Turkey, Hong Kong, China, Bangladesh, Pakistan, India, England, Portugal and a central warehouse in Germany for the European operations. The distribution units serve the European sales companies with product development, sourcing, warehousing and distribution.

By creating a decentralised organisation with great freedom under responsibility, Nilorn has increased speed and service levels at the same time as costs have been reduced. Previously the Group had large overhead costs, complicated routines and the wrong focus. From having been a group where a small number of companies contributed with a positive result and where most of them operated a loss, Nilorn is now a group where all companies make a positive contribution, albeit to varying degrees. This makes a significant difference to the Group's profitability.



Nilorn has managed to create the small company's flexibility with a large company's synergies. The central units that serve business operations are:

- Design (design is also local with the sales units, in support of sales and to capture local differences).
- RIS (Retail Information Service) to give the customers a simple and effective solution with respect to variable data.
- Purchasing in order to take advantage of the Group's benefit of scale when it comes to purchasing and to gain control of the supply chain.
- Logistics to ensure effective deliveries.
- Sustainability to gain control of our suppliers and to secure the Group's work with sustainability and also to support the customers in this process.
- IT in order to ensure effective management of the Group's processes.
- Economy and finance for effective internal control, correct reporting of data, business management/support and management of the Group's financial risks.

Nilorn is active in a market with a few very large players - such as Avery Dennison, which is an American listed company with factories around the world - and where labels for the textile industry is one of several businesses with many small local players. Nilorn is sufficiently large to have a global distribution network and group-wide synergies that many smaller companies lack and at the same time small enough to maintain short decision paths and a flexible organisation where the staff thrives and the customers feel that they are at the centre. Act local, be global.

Over the past 10 years the Group has:

- Increased sales by 93 percent.
- Had an average operating margin of 10.9 percent.
- Each year paid a dividend of between 60 and 99 percent of net profit, except for 2019 due to Covid-19.
- Had a strong balance sheet with an equity ratio of 45-61 percent.

DISTRIBUTION BY PRODUCT CATEGORY
Nilorn's sales by product category is shown in the pie chart below.

Labels is the largest product category with 60 percent of total sales. It is also the category which is most complex to produce and has the highest margins. The product range of labels includes woven labels, printed textile labels, printed hanging labels and flossed labels.

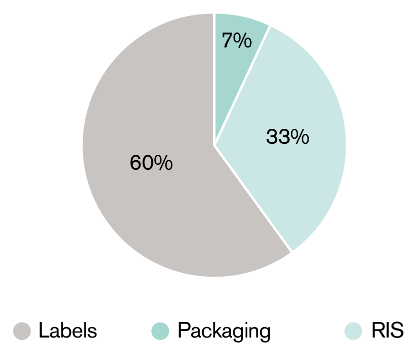
The RIS (Retail Information Service) accounts for 33 percent of total sales and includes all labels with variable data such as price labels, size labels, washing advice labels and RFID (radio frequency identification). Nilorn has grown sharply in the latter area in recent years and now has 12 persons working full-time on adapting Nilorn's systems to receive their files easily and makes it simple for the customer's suppliers to order via Niorn's web solution. The production of RIS labels is local and 'to-order' from customers - and most often in-house by Nilorn locally for fast delivery and quality control. RFID refers to labels containing a chip that is programmed with data (intelligent labels). RFID gives the customer significantly better control of their goods and more efficient handling. RFID labels have existed for many years, but it is only recently that prices have come down and enquiries have increased. Nilorn is investing heavily in RFID and has several projects together with customers.

Packaging accounts for 7 percent of consolidated sales. This is an area with slightly lower margins, but with great potential, especially due to increased on-line sales, where packaging becomes an increasingly important feature for a positive customer experience.

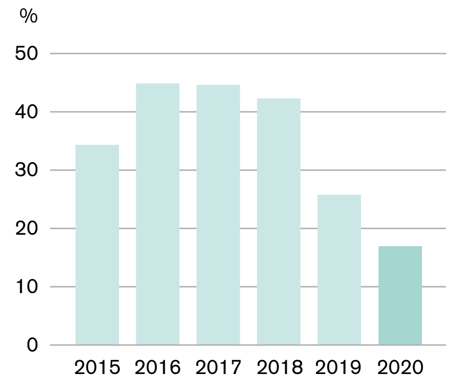
CUSTOMERS
The selling companies meet customers all over Europe who are mainly brand owners. Most of the deliveries are to the suppliers of the brand owners, i.e. the factories that make the customers' garments. These factories are predominantly in Asia, but also in Europe in countries such as Turkey, Portugal, Italy and the Baltic States, etc. In most cases the customers guarantee the inventory of labels which are unique to them and also the accounts receivable from the sub-suppliers of the customers.

Nilorn has more than 1,000 customers, with the 10 largest accounting for approximately 39 percent of consolidated sales. The 20 largest account for 51 percent of the total.

Revenue by product category 2020



Return on equity



Market with opportunities

Both the global and the European market for branding and design is growing. Brand owners are increasing their investments in measures that will contribute to strengthening their brands, where labels, packaging and accessories are important elements.

MARKET IN TRANSFORMATION CREATES OPPORTUNITIES
Both low-price brands and high-price brands invest more and more resources in differentiating themselves. The market for labels, packaging and accessories follows the development of the fashion industry. This applies to colours, textiles and combination of materials. In today's society, more and more trends are running at the same time. In addition, the life cycles of the collections are getting shorter as the trends are changing ever faster.

New regulations also affect demand. As an example, a few years ago the EU introduced stricter requirements by which textile products must be labelled, in accordance with special regulations. In the longer term, demand from the fashion and textile industry is affected by the overall economic development, with important factors such as GDP growth and private consumption.

The growing importance of the brand means that the development for branding and design has been positive which contributes to strengthening the profiling and increase sales. Demand is rising in Europe as well as other markets. Since an increasing number of customers are demanding a holistic concept, Nilorn offers branding, design, product development along with providing professional logistics solutions.

CUSTOMERS WITH HIGH DEMANDS
Nilorn has extensive experience in co-operating with the fashion industry and as the market's leading specialist, the Group has solid knowledge in branding and design development. Nilorn mainly co-operates with customers who have high requirements for concept development that strengthen their brands. Through close co-operation with customers, Nilorn has an understanding of which factors contribute to differentiating and strengthening the most important asset of the customers, their brands. This creates value for both Nilorn's customers, the brand owners, and for their customers, the end consumers.

TRENDS IN THE MARKET

- Growing investments in brand profiling
- Sharper focus on sustainability
- The market for branding and design concepts follows the trends of fashion
- More and more trends are current at the same time
- Technical advances create new opportunities
- Growing interest for RFID

Customer-unique solutions based on a broad offer

Nilorn has the market's broadest offer in branding and design of labels, packaging and accessories. The Group offers; branding consultation and design expertise with focus on the fashion and garment industry, control over production with high quality and IT and logistics solutions that gives the customers control over the flow of their labels, packaging and accessories. This means that Nilorn can guarantee timely deliveries all over the world.

NILORN'S COMPETITIVE ADVANTAGES

- Close co-operation with several of the world's leading brands
- Competence in branding, design and product development of brands
- Logistic solutions and IT systems on a global basis
- A well-developed international sales and distribution network
- High competence in sustainability
- A flexible organisation with short decision path

THE BRAND INCREASINGLY IMPORTANT

Most of Nilorn's customers are in the fashion and garment industry where branding strengthens the garment's identity and image. Some even claim that the brand is the most important aspect of the garment. The brand and the marketing therefore is more important than ever – from advertising campaigns to branding and design concepts that adorn and profile the products in stores. This creates opportunities of combining important with value-increasing profiling. It is here that Nilorn stands out from its competitors. Nilorn has a specialist competence when it comes to brand profiling on garments. This applies to both shop and e-commerce - where in the case of e-commerce it is important that customers have a positive experience when the product is unpacked.

Nilorn's customers demand high quality, flexibility, large branding and design content and advance logistics solutions. In order to meet these requirements, Nilorn aims for a high level of service and to be the customers' best partner when it comes to branding and design concepts based on labels, packaging and accessories. Nilorn has many years of experience and knows what it takes to build, maintain and further develop strong brands.

CLOSE CO-OPERATION TO MAKE THE MARK

Nilorn always strives to develop close co-operation with its customers in order to develop unique branding and design concepts that contribute to differentiating and strengthening their most important asset – the brand. Customers must know that Nilorn always works to achieve the best possible solution for their needs. Co-operation always begins with listening to the customers in order to identify and understand what they strive for.

Nilorn creates added value for the customers by clearly communicating the products in the store. The business relationships are of a long-term nature and are based on close co-operation between Nilorn and the various departments of the customer, where both management, marketing, sales, design and logistics departments participate. In order to be at the forefront, Nilorn must also always be able to offer the customers new ideas that simplify and streamline customer operations. Nilorn was early in the process of developing comprehensive solutions based on efficient IT systems. However, you cannot be complacent. Nilorn has the experience, competence and size required to lead the development in the branding and design industry in the future.

The Nilorn process

MEETING: Meetings between client and Nilorn. In close cooperation clients needs identifies and results in a design brief.

DESIGN: Unique design skills create tailor-made concepts for different customer segments.

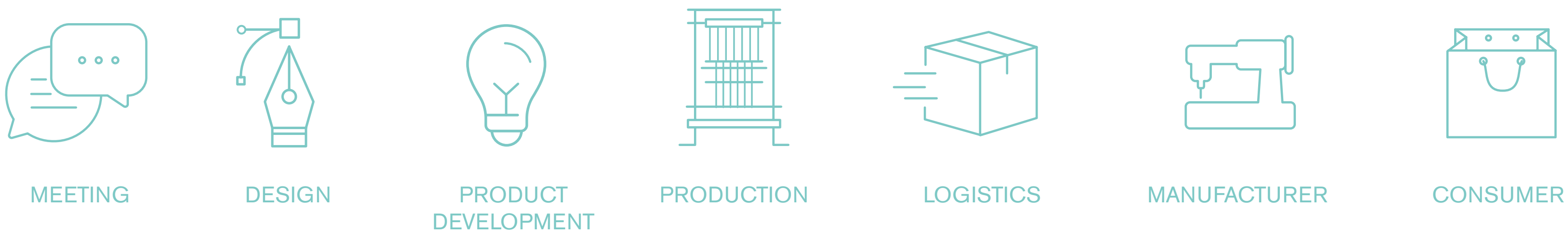
PRODUCT DEVELOPMENT: Based on design and high quality technical solutions.

PRODUCTION: Own manufacturing combined with a network of partners in strategic markets throughout the world.

LOGISTICS: Electronic web-based ordering system allows delivery within 48 hours.

MANUFACTURER: Production location where the labels are sewn into the garment.

CONSUMER: End user of the long chain from idea to product.



Creative design

Nilorn’s design departments in Sweden, England, Germany, Belgium and Denmark, have graphic artists and branding consultants specialised in development of graphic concepts for fashion and fashion-related products. Customers are offered a unique and expressive product appearance with the support of labels, packaging and accessories. As is the case in all visual communication, it is important to attract, guide and provide information. For producers of functional materials in, for example, the sports segment we have seen an increased need for communication.

CONCEPTS THAT STRENGTHEN BRANDS

At Niorn’s design departments, we use the term concept when we talk about our work. A concept can contain anything from a few to more than 50 labels and packages in addition to other accessories with branded details. There is a ‘theme’ that unites all the elements of the concept. Logos, graphic expressions, colours, patterns or materials can be used to give a unified impression in a way that promotes strong communication. The most common elements in a concept is woven labels, hanging paper tags, plastic, leather or textile materials. Latex, metals and composite materials are other common materials. Other important elements of a concept are packaging, cartons, wrapping, tissue paper and accessories. With different printing and stamping methods, foil embossing and different ways of attaching the labels, the opportunities are infinite.

Another important detail for us at Nilorn is the location of the labels on a garment. Placements that surprise and have a function are important elements of a concept. Customers appreciate our expertise and often ask us to participate in their own design process at an early stage. In a good concept, labels should work individually, together and in harmony with the garment. Graphic design combined with exciting materials must highlight the unique values that create a link between the brand and the product. The idea that consumers appreciate our labels so much that they end up on the desktop instead of in the waste basket is what stimulates our graphic designers.

DESIGN PROCESS WITH FOCUS ON MEETING NEEDS

When the customer experiences a need for renewed or stronger profiling and wants to achieve a change, that’s when Nilorn’s services are in demand. In today’s competitive market it is more important than ever to be seen and heard. The difference between success and failure can be subtle. Brand profiling has a direct link to the consumer’s choice of product and is crucial to how a brand is perceived.

At Nilorn, the graphic designers compile all the material needed to strengthen the identity of a brand. Once the image and goals are identified, Nilorn’s design team creates a customised solution for each individual purpose. All signals are co-ordinated into a whole that focuses on strengthening the customer’s brand. The finished result contains everything from packaging, accessories, labels, placement solutions and choice of materials. The concept is presented to the customer in an exciting and creative manner according to the customer’s wishes. Nilorn’s combination of experience and new thinking creates new dimensions for brand development.

Retail Information Service (RIS)

– THE PERFECT SOLUTION FOR LABELS WITH VARIABLE INFORMATION

One element of Nilorn's business concept is to simplify label handling for its customers. Our appreciated web platform gives our customers full control of production in progress, lead times and stock status. As experts in handling labels, packaging and accessories we offer efficient customer solutions where the cost and time aspect go hand-in-hand with secure and global distribution alternatives.

UNIQUE IT AND LOGISTICS SOLUTION
One of the most important aspects when it comes to production of labels with barcodes and laundry information is that the label contains information that varies. It is a matter of labels needing to be distributed in different production countries and where the time aspect often is crucial. Nilorn, with its global network and flexible production solves what, for many customers, is perceived as both complicated, time consuming and expensive.

The process is simple for the customers. One example is when, at the same time as the customer placing the production order with a manufacturer, information is transferred to Nilorn about which information should appear on the label. Depending on the customer's wishes, production of the labels is automatically started, or a confirmation is obtained from the customer's manufacturer before production starts. The labels are then distributed directly to the manufacturer.

Customers who choose to work with Nilorn receive help to ensure production and distribution of the labels. All information about the entire process is available on Nilorn's web platform and can be monitored in ten languages on a 24/7 basis.

NILORN'S WEB PLATFORM
With our know-how and experience in meeting the production and distribution needs for large global chains, as well as smaller local brands, we dare say that our solution is unique and that our customers are satisfied. Nilorn has a large number of different alternatives for handling labels with variable information.

The most common types of labels are the following:

- Adhesive labels
- Hanging tags
- Laundry recommendation labels
- RFID labels

Nilorn's head office, RIS department

Radio Frequency Identification (RFID)

At the beginning of the 2000s Nilorn had already begun working on a number of projects in RFID where the opportunities with the technology in the clothing and retail industries were identified. It turned out, however, that the market was not yet ready to embrace the technology.

GROWING INTEREST IN RFID

A few year ago, we saw in Nilorn that there was a marked increase in the number of customers who wanted to start RFID labelling in their businesses. The trend continued during last year when we started delivering RFID labels to more customers and additional projects are being initiated and evaluated.

Even though globally there are a few pioneers in the clothing and retail industries that have used RFID for several years, it is only in recent years that we have experienced a gradually growing interest among European brands. The technology has improved over time, at the same time as the price for the tags themselves and the necessary equipment has come down, which makes it easier to come up with an attractive investment calculation.

The fact that several global brands have elected to take the leap over to RFID and that articles about the technology pop up more frequently in different news feeds, obviously contributes to the increased interest. More and more brands choose to look more closely how labelling with RFID can streamline their supply chain with improved inventory balance control, reduced waste, increased sales and savings as a result.

There are also major chains that have started to demand RFID labelled products from their suppliers as a condition for selling the merchandise via their channels.

NILORN'S OFFER

We help our customers to review their current labelling and how RFID could most conveniently be integrated. The most common procedure is to replace the price/barcode label with an RFID version - in the form of hang tags or adhesive labels. There are other alternatives and materials for applying RFID, where for example, labels are sewn in, together with the existing laundry recommendation label.

We recommend starting with a small pilot project and then gradually expand to full scale. For instance, choose a couple of suppliers who are asked to label their products with RFID rather than the usual price label, or one could start with a single product group.

Nilorn has flexible solutions to accomplish this at a rate that suits the brand. The ordering procedure will remain to be as simple for RFID labels as for common price labels and there need be no changes at the garment manufacturer at all. They label the garments with price labels as usual and the only visual difference is a small RFID logo printed on the label.

GLOBAL STANDARD

RFID labelling of products for the typical customer in the clothing and retail trade normally occurs in accordance with a global standard which ensures that its use in everything from central warehouse, third party logistics solutions and different types of sales channels is uniform in every way.

The unique code in the RFID chip is compiled using, among other things, EAN/UPC code and a unique serial number. The labels are read using radio waves and therefore need not be seen, compared to the reading of a traditional barcode. RFID labels are also read many at one time compared to barcodes that have to be read manually one-by-one.

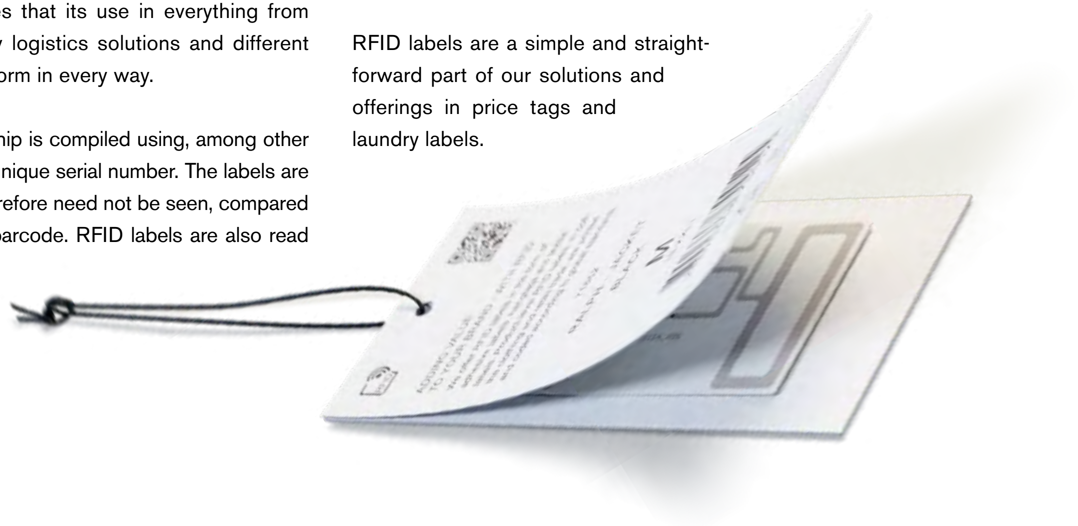
HISTORY

At the beginning of the 2000s, a demonstration room for RFID was built at Nilorn's head office in Borås to illustrate the opportunities in practice. A number of different types of labels were developed, such as hang tags, adhesive labels and woven labels, which were then attached to various garment collections.

Cartons containing RFID-marked garments were bulk scanned and the contents were determined without opening the cartons. Matching garments to the ones brought into a fitting room were shown. This made it possible to develop statistics showing, for example, which garments were tried on often, but were then not sold. Garments paid for at a self-service checkout were disarmed to allow the customer to go through the exit gate without triggering an alarm. An automatic product inventory rack for automatic stock replenishment was also included as part of the visions for the future.

Now, many years later interest for RFID is beginning to really take off and an increasing number of brands are becoming aware of the advantages, and in certain cases, the need to take this into account in order to secure their operations in the future.

RFID labels are a simple and straightforward part of our solutions and offerings in price tags and laundry labels.



A global market

To participate in, and compete for, the big branding and design assignments it is necessary to be close to the customers, since the decisions on strategic issues are made at the clients head office. Labels, packaging and accessories are becoming increasingly important to the brand and is therefore an increasingly more common issue for our customers' top management. However, our customers' production is usually done in low-cost countries, in Asia and the former Eastern Europe for instance. As customer companies have expanded to new geographic markets both in terms of sales and manufacturing, the branding and design industry has become more global.

FROM LOCAL TO GLOBAL

The development means that the branding and design companies must be close to both their customers and their suppliers in order to be able to handle deliveries timely on virtually a worldwide basis. The garments are designed and sold in Western Europe, but production mainly takes place in Asia. The branding and design concepts are also developed in close co-operation with the brand owners in Western Europe, but most labels, packaging and accessories are delivered directly to the manufacturers - especially in Asia, where China is still the most important purchasing market for the textile industry.

Nilorn's main customers, the brand owners, concentrate their resources on branding and design, brand development, marketing and sales, while manufacturing is outsourced to subcontractors.

GLOBAL DELIVERIES

This development requires that Nilorn has a presence in these countries, through its own companies and a network of strategic partners. Through co-operation with partner companies Nilorn has access to high-quality production in the growth markets in Asia, where Nilorn East Asia, in Hong Kong, is an important hub of the operations, together with the distribution units in China, India, Bangladesh, Pakistan and Turkey.

An important part of Nilorn's strategy is to continue adding strong and professional partners to the Group's network, the purpose being to offer effective logistics services to our customers, regardless of where in the world the customer produces its goods. In order to strengthen Nilorn's branding, design and product development, a joint product development function has been built.

For really fashion-oriented goods, which are purchased mid-season and have extreme demands on short lead times, Turkey and Portugal have become an increasingly important purchasing market for the European clothing companies. Nilorn has had its own factory in Portugal for a long time for production of both woven labels and printed textile and paper labels with short lead times for the European market.

BOTH OWN MANUFACTURING AND
CO-OPERATION PARTNERS

Nilorn has operations in Sweden, Denmark, Norway, Finland, United Kingdom, Italy, Germany, Belgium, France, Portugal, Spain, Austria, Hong Kong, China, Bangladesh, Pakistan, India and Turkey. There are partner companies in Switzerland, Holland and the United States.

In-house production in Portugal

Nilorn's presence in Europe is important, as that is where the purchasing decisions are made and where branding, design and concept for garments, labels and packaging accessories are developed. Access to in-house production, in combination with production with partner companies, allows the Group to maintain the highest quality, flexibility, adaptation to customers and to live up to the demand for competitive pricing. The access to in-house manufacturing creates advantages for product development and sample management – the process of making reality out of something that only a few days ago was at the idea stage is rapid.

Sustainability work

Nilorn is actively working to constribute to a more sustainable future.

Sustainability for Nilorn means meeting the long-term needs of individuals and customers. We have chosen to focus our sustainability work on three areas:

- **Customers** - We want to develop sustainable products in close cooperation with our customers and together reduce the environmental impact.
- **Production and supply level** - We take responsibility for the manufacture of products, in our own production and with external suppliers. We believe in close cooperation with our partners.
- **Employees** - Our most important asset is our employees and we want to attract, retain and further develop those who work within Nilorn.

WE SUPPORT
UN GLOBAL COMPACT

All Nilorn's activities shall comply with national and international laws and conventions. Since 2017, Nilorn has signed the Global Compact's sustainability guidelines. Global Compact is the world's largest sustainability initiative with approximately 10,000 participating companies and organizations in over 165 countries. Nilorn undertakes to realise and integrate the 10 principles of human rights, labour law, the environment and anti-corruption based on the UN Universal Declaration of Human Rights, the ILO Declaration of Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the UN Convention against Corruption.

Most of the UN's 17 Sustainable Development Goals (SDGs) can be linked to the company's activities and activities, but we have found that six goals are particularly relevant to Nilorn. These six global goals are the ones that we believe we have the greatest impact on – in other words, the goals that our business affects the most and where we see the most opportunities to contribute to sustainable development.

Our work with environmentally friendly products means that we, together with our customers, must take responsibility for choosing more sustainable materials and choosing the most suitable mode of transport. Our goal is to be able to reduce the environmental impact by making active choices, while meeting our customers' needs for materials and fast deliveries. Both in our own organization and at the supplier level, we review processes, materials and certifications to offer a product range, which includes more sustainable alternatives. We undertake to evaluate, prevent or reduce the environmental impact and other potentially negative effects of our activities, products and services.

We work with various product certifications to demonstrate the improvements that are being made along our value chain, such as:

- bluesign®
- FSC™ (Forest Stewardship Council)
- GOTS (Global Organic Textile Standard)
- GRS (Global Recycle Standard) and Recycled Claim Standard (RCS)
- LEATHER STANDARD by OEKO-TEX®, Class 1
- STANDARD 100 by OEKO-TEX®, Class 1

These certifications include different product types and differ slightly in terms of focus areas and what requirements are set regarding environmental and social/ethical performance. Nilorn's factories in Portugal and Hong Kong are bluesign® system partners. The basic idea behind bluesign® is based on five principles, by focusing on resource management, emissions to air and water, consumer safety, and work environment and safety, production becomes more sustainable.

Nilorn's Code of Conduct is based on the Ethical Trading Initiatives Base Code and all Nilorn suppliers are expected to sign agreements and follow the supplier manual that includes, among other things, code of conduct, environmental requirements and chemical list. At the end of 2020, an update of the Code of Conduct, supplier agreements and handbook was started, which will be distributed in 2021. EU chemicals legislation REACH is the basis for our work with Nilorn Restricted Substance List. In connection with contract signing, suppliers of goods certify that they comply with legislation and restrictions on the use of chemicals. Nilorn is a member of rise chemical group. The purpose of the group is to communicate legal requirements and other information in the field of chemicals in support of the member companies' daily chemical work. We participate in the group's network meetings and use the Chemical Guide to follow legislation and recommendations.

Nilorn's anti-corruption policy shall be applied both internally and in cooperation with suppliers and other external contacts. All employees are subject to this policy, which means that staff may not receive gifts or other benefits that go beyond what is considered moderate. If this is the case, it should be done with full transparency and in a manner that complies with the company's rules regarding value and type of gift. Since 2017, Nilorn has been publishing a statement in accordance with the UK's Modern Slavery Act 2015, where we annually outline measures we take to reduce the risks of modern slavery that may occur in the supply chain and operations.

Higg Index

In 2012, the Higg Index was developed by Sustainable Apparel Coalition (SAC). Since then, Higg has evolved to become one of the leading modules to measure the performance of trademarks, the environmental footprint of retailers and production facilities. The modules are based on self-assessment that results in points and they can also be verified by a external audit. The Higg Index gives an overall picture of the prints that a company does through their processes and creates the opportunity to make improvements and adjustments for to be more sustainable. The modules also drive the issue of transparency at the supplier level. Nilorn works with Higg FEM module where the following indicators are assessed: water use, greenhouse gas emissions, waste management, chemical management, environmental management systems, wastewater and energy consumption, etc.

In 2020, we started working with the Higg index with both internal and external production units, as part of our journey to become a more sustainable company. Nilorn Bangladesh, Nilorn East Asia and Nilorn Turkey all ompleted the FEM self-assessment.

Nilörngruppen's Sustainability Report 2020

Further information about our work can be found in the Sustainability Report available here: http://www.nilorn.com/sustainability.

Nilorn has been awarded the "Nasdaq ESG Transparency Partner" for our efforts to be transparent with the market when it comes to environmental, social and board issues (ESG).

History

1970's
Nilörngruppen's origin is a design firm started in Borås by Claes-Göran Nilsson in the beginning of the 1970s. The business evolved to also be responsible for the production of labels outsourced to manufacturers in Europe.

1980's
Nilörngruppen sees opportunities to streamline the production of labels and to expand. The first manufacturing company, Borås Etikettväveri, is acquired, as is Försäljnings AB Nordiska Bandväveriet, Screentryckeriet Dekoratören and Menda in Denmark. Towards the end of the decade Svenska Bandfabriken, Bohus Textilkonst and Nordisk Heliotextil are acquired.

1990's
To ensure international expansion, a private placement to external financiers is made in 1990. The largest textile printer in the Nordic Region, K Björn Eriksen in Denmark is acquired the same year and in 1992 Bally Labels in Switzerland is added. Shamrock-Ruga in Belgium and Dalle Caen in France are acquired in 1995. In 1998 Arko Etiketten in Germany is acquired and Nilörngruppen is listed on the Stockholm Stock Exchange. In Britain, leading label producer, H.H. Calmon & Co Ltd, which also has operations in Portugal and Hong Kong, India and the Dominican Republic is added. In the same year 20 percent of the German label manufacturer, Gustav König Etiketten, is acquired.

2000's
Belgium's largest label manufacturer, Nominette, was acquired in 2001. Nilorn East Asia Ltd in Hong Kong was established in the same year.

In 2004 Claes-Göran Nilsson, Nilörngruppen's founder, resigned as Chairman of the Board of Directors and left all his assignments in the Group. Nilorn changed its strategy from being a label manufacturer to being a company with increased focus on design and efficient logistic solutions. Partner agreements were entered into with production units in China, Bangladesh, India, Turkey and Tunisia.

In 2005 the Swedish production unit for woven labels, Borås Etikettväveri, was closed and part of the production was moved to Nilorn's production unit in Portugal.

In 2006 re-structuring of production operations continued and the production of woven labels was moved from England and Germany – primarily to Portugal.

Nilorn's head office

In 2007 the Belgian production of woven labels was terminated and the former partner, Hazer Etiket, was acquired and its name was changed to Nilorn Turkey.

In 2008 production at Nilorn Turkey was phased out and the company's efforts were concentrated to purchasing and sales.

In 2009 Claes af Wetterstedt took over as President and Chief Executive Officer. Traction, who had been a shareholder since 2005, raised its stake to 65 percent of the shares outstanding and Nilörngruppen AB was delisted as of 30 June from the Stockholm Stock Exchange. A new Board of Directors took over in connection with the Annual General Meeting and Petter Stillström took over the chairmanship.

2010's
In 2010 subsidiaries were established in Bangladesh and China (Shanghai). Logistics in Europe is streamlined by establishing a central warehouse for the German and Belgian operations.

In 2012 Nilorn moved its warehouse from Sweden to the central warehouse in Germany in an effort to make operations more efficient. The Group established production of Care Labels (textile printing) in Hong Kong. This was also the first year when all operating companies in the Group showed positive results.

In 2014 Nilorn Pakistan Ltd was established and the production of both woven and printed labels was expanded in Portugal. A sales office was also opened in Italy.

In 2015 Nilörngruppen AB's share was listed on Nasdaq First North Premier.

In 2017 production started in Bangladesh. A European distribution company is established in Germany. A Sustainability Manager for the Group is hired in January and sales representation is opened in Spain.

In 2018 Nilörngruppen AB changes its listing to Nasdaq OMX Small Cap. Investments are made in new looms at the Portugal plant.

In 2019 Nilorn invests MGBP 2.1 in its own building in England and a building in Sweden in the amount of MSEK 7. Implementation of the new enterprise system continues and major focus is placed on sustainability. A new five-colour printing press and new looms are installed at Nilorn Bangladesh.

In 2020, Krister Magnusson took over as President and CEO. The company performed better than feared through the pandemic with a turnover loss of 9%, adjusted for currency effects.

Multi-year Survey

SUMMARY OF NILORN'S DEVELOPMENT 2016 – 2020

Amounts in MSEK	**2020**	**2019**	**2018**	**2017**	**2016**
Income statement					
Net turnover	618.2	715.4	712.0	680.4	610.5
Operating profit	50.8	66.2	85.2	82.4	75.0
Net financial items	–3.7	–3.1	–1.4	–0.2	–1.1
Profit before tax	47.1	63.1	83.8	82.2	73.9
Tax	–13.6	–15.8	–13.1	–17.2	–17.7
Profit for the year	33.5	47.2	70.7	65.0	56.2
Profit/loss attributable to equity holders of the Parent Company	33.5	47.2	70.7	65.0	56.2
Balance sheet					
Non-current assets	156.1	181.1	80.3	62.9	49.5
Inventories	106.6	119.0	107.9	110.0	88.9
Trade receivables	72.0	59.4	83.2	76.2	73.4
Other current assets	21.3	20.6	31.9	18.7	24.3
Cash and cash equivalents	66.3	32.3	37.9	44.8	35.2
Total assets	422.3	412.4	341.2	312.6	271.3
Equity attributable to the Parent Company's equity holders	209.8	186.7	180.8	153.9	137.8
Minority interest	-	-	-	-	-
Total equity	209.8	186.7	180.8	153.9	137.8
Non-current liabilities	56.0	51.3	2.1	1.2	5.0
Trade payables	62.9	54.3	69.6	61.7	52.8
Other current liabilities	93.6	120.1	88.7	95.7	75.7
Total liabilities and equity	422.3	412.4	341.2	312.6	271.3

Amounts in MSEK	**2020**	**2019**	**2018**	**2017**	**2016**
Key ratios and other information					
Net turnover increase, %	–13.6	0.5	4.6	11.4	15.8
Operating margin, %	8.2	9.3	11.7	12.1	12.3
Profit margin %	7.6	8.8	11.5	12.1	12.1
Capital employed	289.3	309.4	221.2	189.6	163.3
Average capital employed	299.3	265.3	205.4	176.5	151.6
Return on capital employed, %	17.2	25.2	41.8	47.3	49.7
Average equity	198.3	183.7	167.3	145.9	125.6
Return on equity, %	16.9	25.7	42.3	44.6	44.8
Equity/assets ratio, %	49.7	45.3	53.0	49.2	50.8
Interest-bearing net liability	38.1	–41.8	–2.5	9.1	9.7
Number of employees	499	494	482	444	358

For definitions of alternative key financial indicators, refer to page 56.

Nilörngruppen's share 2020

THE SHARE

Nilörngruppen's class B share is listed on Nasdaq OMX Nordic Small Cap since 4 April 2018 after having been listed on First North Premier since 12 June 2015. The voting value is 10 votes per class A share and one vote per class B share.

OWNERSHIP STRUCTURE

At year-end 2020 Nilörngruppen had 4,172 (4,815) shareholders. At year-end the ten largest owners held 54.8 percent of the capital and 74.3 percent of the votes.

DIVIDEND

The Board of Directors proposes to the Board a dividend of SEK 2.00 (0.00) per share, corresponding to SEK 22.8 (0) million.

Amounts in SEK	**2020**	**2019**	**2018**	**2017**	**2016**
Per-share data					
Numbers of shares outstanding, thousands	11,402	11,402	11,402	11,402	11,402
Profit	2.94	4.14	6.2	5.70	4.93
Dividend	2,00*	0,00	4,00	4,00	3,60
Equity	18,40	16,37	15,85	13,50	12,08

** Proposed dividend*

THE 10 LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2020

Owners	**Number of shares**		**Proportion, %**	
	Class A shares	Class B shares	Votes	Capital
AB TRACTION	960,000	2,040,000	58.1	26.3
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	-	621,311	3.1	5.5
PROTECTOR FORSIKRING ASA	-	604,461	3.0	5.3
QUINTET PRIVATE BANK (EUROPE) S.A., W8IMY	-	441,000	2.2	3.9
CBLDN-EQ NORDIC SMALL CAP (NON-UCIT)	-	355,295	1.8	3.1
NORDNET PENSIONSFÖRSÄKRING AB	-	321,211	1.6	2.8
BNY MELLON SA/NV (FORMER BNY), W8IMY	-	311,390	1.6	2.7
PERSHING, LLC, W9	-	249,210	1.2	2.2
HAGBERG, JOHAN MAGNUS	-	175,635	0.9	1.5
NORDEA SMÅBOLAGSFOND SVERIGE	-	166,459	0.8	1.5
TOTAL	**960,000**	**5,285,972**	**74.3**	**54.8**
OTHER (4 162 ST)	-	5,156,016	25.7	45.2
TOTAL	**960,000**	**10,441,988**	**100.0**	**100.0**

Administration Report

The Board of Directors and the Chief Executive Officer of Nilörngruppen AB (publ), corporate ID number 556322-3782, hereby submit their annual report and consolidated financial statements for the 2020-01-01 – 2020-12-31 financial year.

CORPORATE GOVERNANCE
Nilörngruppen AB is a Swedish corporation with its domicile in Borås and follows the Swedish Companies Act.

SHAREHOLDERS
The Annual General Meeting gives shareholders an opportunity to ask questions directly to the Chairman of the Board of Directors, the Board of Directors and the President. Invitation to the 2021 Annual General Meeting, to be held in Borås 10 May 2021 will be advertised in nationwide daily newspapers not less than four weeks before this date. The Company responds throughout the year to inquiries from shareholders. Published documents and press releases during 2020 are available at the Company's website www.nilorn.com.

OWNERSHIP STRUCTURE
As of 31 December 2020, the Company's share capital consisted of 960,000 Class A shares and 10,441,988 Class B shares. Each class A share entitles the holder to ten votes and each Class B share entitles its holder to one vote.

As of 31 December 2020, there were 4,172 shareholders in Nilörngruppen AB (4,815). The largest shareholder was AB Traction via a subsidiary, which held 26.3 percent of the capital and 58.1 percent of the votes.

BUSINESS
Nilörngruppen AB is an international group, established in 1977, that adds value to trademarks through branding and design in the form of labels, packaging and accessories to customers, primarily in the fashion and clothing industry. Nilorn strives to increase customer competitiveness by offering services covering all design resources, plus a logistics system that guarantees secure and timely deliveries.

Nilörngruppen is one of Europe's leading players with revenue of MSEK 618 (715). Nilorn delivers more than 1.5 billion labels per year of different sizes and types. Nilörngruppen is represented with subsidiaries in Sweden, Denmark, Germany, Belgium, United Kingdom, Portugal, Hong Kong, India, Turkey, Bangladesh, China and Pakistan.

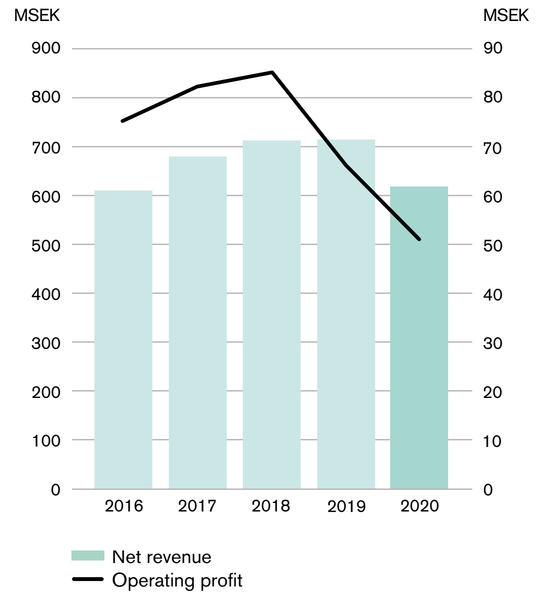
Nilorn applies the motto 'maximum customer satisfaction'. The entire corporate structure is based on this central theme, which forms the basis of all activities within the Nilorn Group, from design to manufacturing, sales, logistics and service.

SUMMARY OF 2020
Order bookings
Order bookings decreased by 12.8 percent to MSEK 653 (749).

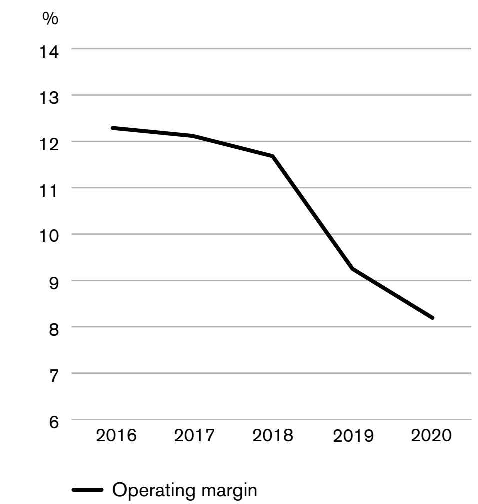
Net revenue
Net revenue decreased by 14 percent to MSEK 618 MSEK (715). Foreign currency exchange rates affected revenue negatively by MSEK 32. This means that the underlying organic growth decreased revenue by 9 percent. SEK has strengthened during the year compared to all currencies related to Nilorn, which has had a major impact on the turnover for the year. For example, the TRY weakened by 20 percent compared to SEK. However, the Group's revenue is met by costs in each respective currency, which minimises the effect on profit.

Profit
Operating profit amounted to MSEK 50.8 (66.2), which lakes for an operating margin of 8.2 percent (9.3). Raw materials and goods for resale relative to revenue was 56.0 (57.0) percent. The

Net revenue and operating profit



Operating margin



gross profit margin is affected by product and client mix and by major individual orders.

Other income amounted to MSEK 19.1 of which MSEK 12.3 is attributable to government contributions for furlough in Europe and Hong Kong. External costs decreased to MSEK 62.7 (65.2) and we have taken costs for provision of anticipated bad debt and stock of total MSEK 10.5. Personnel costs decreased to MSEK 146.6 (153.8).

Depreciation increases to MSEK 25.9 (24.6). The increase is an effect of last years investments in a new enterprise system and the buildings in Sweden and England.

Operating profit amounted to SEK 50.8 (66.2) million, giving an operating margin of 8.2 percent (9.3).

The tax expense amounted to MSEK 13.6 MSEK (15.8), which is equivalent to a tax rate of 28.7 percent (25.1). Profit after taxes amounted to MSEK 35.5 (47.2).

Tie-up capital

Capital tied up in inventories decreased by MSEK 12 to MSEK 107 (119) and trade receivables increased by MSEK 13 to MSEK 72 (59). A large part of Nilorn's business is based in Asia, where both trade receivables and inventories are recorded in Hong Kong Dollar (HKD), which means that currency fluctuations will have considerable effect on capital tied up when converted to SEK. Assets are financed in local currency, however, so the effect on profit is marginal.

Cash flow, capital expenditure and financial position

Cash flow from operating activities amounted to MSEK 74.7 (63.4). Cash flow from investment activities amounted to MSEK –10.0 (–51.5). Last year's investments were mainly attributable to investments in additional production capacity in Bangladesh and Portugal. These investments were finalized during the first quarter 2020. MSEK 5.4 of this year's investments is attributable to the new enterprise system. Net liabilities at the end of the period stood at MSEK 13.2 of which the transition to the new lease standard IFRS 16, increased interest-bearing liabilities by MSEK 38.0. Comparable numbers not including the effect of IFRS 16 is net liabilities of MSEK 24.8 (-33.9).

Cash and cash equivalents amounted to MSEK 66 at year-end (32). In addition, hereto there were unutilised bank credit facilities totalling MSEK 47 (47).

Equity amounted to MSEK 210 at year-end (187). The difference is made up of the year's profit of MSEK 34 (47), dividend paid MSEK 0 (–46) and translation differences of MSEK -10 (4).

The equity ratio at year-end stood at 50 percent (45).

Reporting of segments

The Group's segment division consists of geographical areas. The table for sales and operating profit is presented under Note 3. During the year, external sales, converted to SEK, in Asia decreased by 17 percent, in the rest of Europe by 5 percent and in the Nordic region by 21 percent.

Operating profit decreased in Asia by SEK 7.3 million to SEK 34.6 million, the rest of Europe by SEK -1.5 million to SEK 15.1 million and the Nordic region by SEK -6.0 million to SEK 3.2 million. The reason why the rest of Europe has lost both turnover and profit is some larger clients that are declining in both turnover and margin due to excessive inventory, moved production from Europe to Asia and a larger non-packaging order.

Group-wide operating profit decreased by SEK 0.6 million to SEK -2.2 million.

Personnel

The average number of employees in the Group at year-end 2019 was 499 (494), of which 212 (216) were women. 281 (252) of the employees were engaged in production and warehousing. For additional details refer to Note 7.

Since May 2017 there Is a compensation committee for handling salary levels, pension benefits, Incentive matters and other terms of employment for the President and other Members of Group Management.

Significant events

The Board of Directors proposes to the Annual General Meeting that a dividend ok SEK2.00 per share will be paid for the 2020 operating year.

TRANSACTIONS WITH CLOSELY RELATED PARTIES

During the year Nilörngruppen sold services for TSEK 75 (108) to the principal owner, AB Traction with subsidiaries. No transactions with a significant effect on the Group's profit and financial position have occurred during the period. The Parent Company's transactions with subsidiaries relate to design, product development, IT and other services.

Refer to Note 7 for information about salaries and other remuneration to management and the Board of Directors.

RESEARCH AND DEVELOPMENT

Costs for research and development are expensed and were less than one percent of net revenue for 2020 (<1 percent).

RISKS AND UNCERTAINTY FACTORS

Nilorn is dependent on economic trends in individual markets where the Group conducts business, and also by the overall development of the world economy. Political decisions, such the introduction of quotas and tariffs, can also affect the Group's development, particularly in the short term.

Nilorn uses external suppliers, primarily in the Far East, which means that changes in prices for freight, raw materials, wages, etc. can affect the Group's economic development. Nilörngruppen has built a broad network of suppliers and therefore feels that there is no significant risk with respect to the supply of products. Due to its international operations the Group is also affected by currency developments. Such effects are especially significant when converting revenue and profits to SEK, which is the Group's functional currency, although revenue and costs are in relatively close balance in each respective currency.

FINANCIAL RISKS

Nilörngruppen is exposed to risks related to financial instruments, such as cash and cash equivalents, trade receivables, trade payables and debts. Risks related to such instruments are primarily:

- Interest risks relating to cash and cash equivalents and debts,
- Financing risks relating to the Group's capital needs,
- Currency risks relating to profits and net investments in foreign subsidiaries, and
- Credit risks relating to financial and commercial activities.

Handling and monitoring the financial risks are centralised to the head office accounting and finance department in Borås, where market trends of interest rates and currencies are continuously monitored. The department acts in accordance with the financial policy adopted by the Board of Directors. Also refer to the description of various risks in Note 2.

SUSTAINABILITY REPORT

The sustainability work at Nilörngruppen is closely related to the Company's long-term relationship with customers, employees and other stakeholders. For Nilorn sustainability means working to fulfil the needs of people and society, without jeopardising the opportunity for future generations to fulfil these needs and includes work with the environment, anti-corruption, personnel, social conditions and human rights. Nilörngruppen's efforts with sustainability are based on managing risks and opportunities in relation to these areas. The risks deemed to be of great importance to the business, and how they are handled, are reported in Note 2. In other respects, risks are included as a part of which sustainability issues we should prioritise.

Our sustainability efforts are governed by a Group-wide Sustainability Manager based at the Swedish head office and a Supply, Sourcing and CSR Manager based in Hong Kong, both of whom report to the Company's management. Nilorn CSR and Corporate Sustainability Advisory Team (CSAT) was formed in 2018. The purpose of the group is to further integrate CSR and sustainability in the organisation's daily operations, to spread knowledge and share experiences. The team's members are personnel from the design department, product development, production, purchasing, sales and CSR from across different Nilorn companies.

The policies and guidelines that primarily concern sustainability efforts are our sustainability policy, our overall HR policy, the equality policy, the code of conduct with ethical guidelines for personnel and the supplier behaviour code together with other documented requirements that Nilorn's suppliers are expected to comply with. With these, we cover the environment, anti-corruption, personnel, social conditions and human rights.

The full sustainability report for Nilorn is available at: http://www.nilorn.com/sustainability.

THE GROUP'S OUTLOOK FOR 2021

The Nilörngruppen group and its customers are heavily affected by the coronavirus. The effects of COVID-19 have been and continue to be difficult to predict, as most of Nilorn's companies have seen a clear decline caused by the prevailing concerns. We continuously adapt operations and build an organization to be structurally strong and have the opportunity to take advantage of opportunities that arise. This applies, for example, to the market, sustainability, information services for retail and sourcing.

In 2020, investments were significantly calmer and in 2021 it is expected to continue at the same calm investment pace in terms of machinery and buildings.

PARENT COMPANY OPERATIONS

The Parent Company's business largely consists of managing group-wide functions such as branding and design, product development, accounting, administration, information and IT. The average number of employees during 2020 was 21 persons (22).

Dividends from subsidiaries were received during the year in an amount of MSEK 55 (100) and group contributions were received in an amount of MSEK 4 (11).

Net revenue for the period January – December amounted to MSEK 28 (28). The operating result amounted to MSEK –2.8 MSEK (–2.3) and profit after net finance items was MSEK 37 (98).

PROPOSED ALLOCATION OF PROFIT (TSEK)

The Company's annual report will be presented for adoption at the Annual General Meeting to be held 10 May 2021.

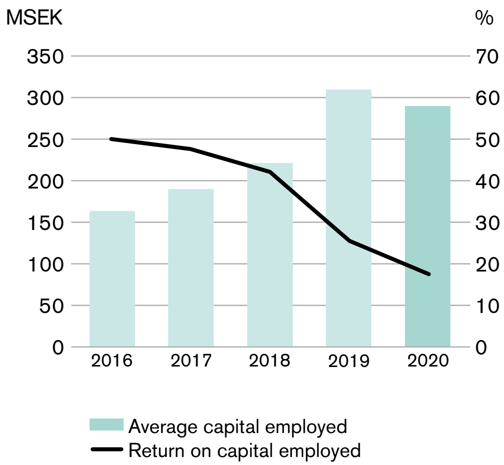
The following amounts in the Parent Company are at the disposal of the Annual General Meeting:

Retained earnings	**143,218**
Profit for the year	38,319
Funds available for distribution	**181,537**

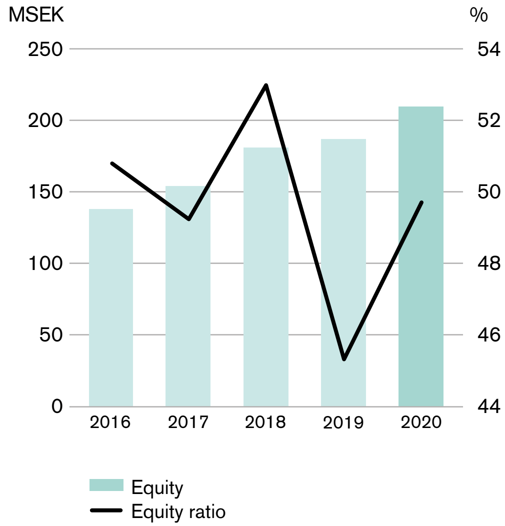
The total dividend proposed by the Board of Directors amounts to MSEK 22.8, equivalent to SEK 2.00 (0) per share. The consolidated equity attributable to the Parent Company's shareholders amounts to MSEK 184.4 as of 31 December 2020 and unrestricted equity in the Parent Company was MSEK 181.5. Taking the above into account, and what has otherwise come to the knowledge of the Board of Directors, the assessment of the Board of Directors is that the proposed dividend is justifiable considering the demands that the nature, scope and risks of the business poses on the size of the Company's and the Group's equity, as well as on the Group's consolidation needs, liquidity and financial position in other respects.

Regarding the consolidated and Parent Company's results and financial position, please refer to the following income statements, balance sheets and accompanying notes.

Capital employed and return on capital employed



Equity and equity ratio



Corporate governance report

CORPORATE GOVERNANCE
Nilörngruppen applies the principles of good corporate governance to promote trust among all stakeholders, thereby increasing competitiveness. Among other things, this means that operations are organised in an efficient manner with clear rules for delegation, that the financial, environmental and social reporting is characterised by transparency and that the Company in all respects is a responsible company.

Nilörngruppen is listed on Nasdaq OMX Nordic Small Cap since 4 April 2018 and follows the rules of The Swedish Code for Corporate Governance ("The Code"). The principles applied by Nilörngruppen for corporate governance are based on Swedish legislation, primarily the Companies Act and The Annual Accounts Act, as well as NASDAQ Stockholm AB's (Stockholmsbörsen) rules and regulations. Nilörngruppen's Board of Directors has drawn up this corporate governance report in accordance with these rules.

Described below is how the Group is governed, step by step, from the owners to the operative activities and how corporate governance was conducted in the Nilorn Group during 2020.

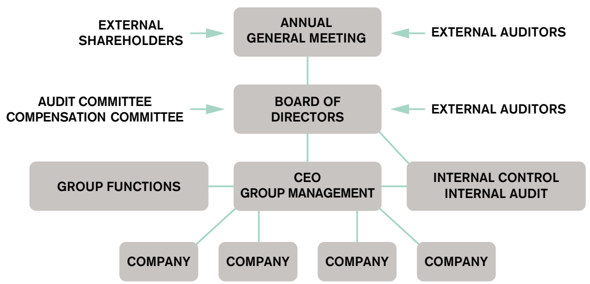
THE SWEDISH CODE OF CORPORATE GOVERNANCE
Deviations from the code
Rule: Nomination committee
Explanation: Nilörngruppen does not have an appointed nomination committee, since the ownership structure is clear, with Traction owning a majority of the votes and also because there are no other owners with a significant ownership stake. However, shareholders are always welcome to submit comments and/or suggestions on the composition of the Board of Directors to the Chairman of the Board, Petter Stillström (telephone +46-(0)8-506 289 00).

ARTICLES OF ASSOCIATION
In addition to legislation, rules and recommendations, the Articles of Association constitute a central document for the governance of the Company. The Articles of Association are adopted by the Annual General Meeting of shareholders and contain some basic information on the Company, such as the kind of business the company is to conduct, the size of the share capital, the number of shares issued, the size of the Board of Directors and how the Annual General Meeting is to be convened. The complete Articles of Association are available at Nilörngruppen's website www.nilorn.com.

Responsibility for management and control of the Group is shared among the shareholders at the Annual General Meeting and the CEO, which is in accordance with the Swedish Companies Act, other legislation, the Board of Directors and the CEO, which occurs in accordance with the Swedish Companies Act, other legislation and regulations, rules in force for stock market companies, the Articles of Association, the internal rules of procedure of the Board Directors and other internal control instruments.

SHAREHOLDERS
At year-end 2020 Nilörngruppen had 4,172 shareholders (4,815). The ten largest shareholders at year-end owned 54.78 percent of the capital and 74.27 percent of the votes and the largest owner, AB Traction via subsidiaries, owned 26 percent of the capital and 58 percent of the votes.

CORPORATE GOVERNANCE



ANNUAL GENERAL MEETING
The highest decision-making body is the general meeting of shareholders, where all shareholders have the right to participate. The general meeting of shareholders has the right to decide on all matters not contrary to Swedish law. At the general meeting of shareholders, shareholders exercise their right to vote to decide on the composition of the Board of Directors, auditors and other central issues such as adoption of the Company's balance sheet and statement of income, allocation of results and decide on discharge from responsibility for the Board of Directors and the President. Shareholders may turn to the Board of Directors to raise an issue to be dealt with at the general meeting of shareholders, or to the Chairman of the Board of Directors with suggestions to nominate directors.

ANNUAL GENERAL MEETING 2020
Nilörngruppen's Annual General Meeting was held on May 14, 2020 in Borås. Complete information about the 2020 regularly scheduled Annual General Meeting is available at the website www.nilorn.com.

ANNUAL GENERAL MEETING 2021
The Annual General Meeting will be held May 10, 2021.

THE BOARD OF DIRECTORS AND ITS INDEPENDENCE
The Board of Directors of Nilörngruppen is bound by the requirements for independence set forth in The Code. The main features of the requirement for independence are that only one member of management may be a member of the Board of Directors and that at least two of the directors elected by the general meeting of shareholders who are independent relative to the Company and its management must also be independent relative to the Company's major shareholders.

The Board of Directors shall consist of not less than three and a maximum of six directors. Since the 2019 Annual General Meeting the Board of Directors has had four members. At the 2020 Annual General Meeting Petter Stillström, Vilhelm Schottenius, Blenda Lagerkvist and Johan Larsson were re-elected. All directors with the exception of Petter Stillström are independent relative to the Company and its major owners. Petter Stillström is the CEO and a major owner of AB Traction.

TASKS OF THE BOARD OF DIRECTORS

The tasks of the Board of Directors are governed by law and recommendations and by the rules of procedure of the Board of Directors. The Board of Directors review the rules of procedure annually and adopts them by a decision of the Board of Directors. The rules of procedure regulate the distribution of responsibility between the Board of Directors and the President, the President's powers, the meeting schedule and reporting. The Board of Directors meetings deal with budgets, interim reports, the annual accounts, the business situation, capital expenditures and business establishment. The Board of Directors also receive eports on a monthly basis on the Company's financial position. At the regularly scheduled Board of Directors meetings reports are also submitted about the day-to-day operations of the Group's companies, with in-depth analysis and proposals for action. Also dealt with, are issues concerning long-term business strategy and structural and organisational issues. As the Board of Directors consists of Swedish directors only, Swedish is spoken at meetings and all documentation is in Swedish. Normally, five to ten board of directors' meetings are held each year. During 2020 the Board of Directors held six regularly scheduled meetings and one statutory meeting after the Annual General Meeting. The Chairman maintains regular contact with the President and follows the Group's business and development.

One time per year the Chairman of the Board of Directors initiates an evaluation of the work of the Board of Directors. Each director answers a questionnaire. The answers are compiled and the results discussed at a board meeting. The Board of Directors continuously evaluates the work of the President by following the development of the business towards the set goals.

AUDIT COMMITTEE

The Board of Directors has considered the matter of establishing a separate audit committee but has decided that the Board of Directors in its entirety shall handle these matters, thus constituting an audit committee. The audit committee receives continuous information about internal controls and compliance, checking of reported values, estimates, assessments and other matters that may affect the quality of financial reporting. The results of the Group's internal controls are reported continuously to the audit committee, which in turn issues guidelines for the work going forward. The audit committee prepares and decides on audit issues as well as quality assurance of the Company's internal governance and control with respect to:

- Financial reporting
- Risk management and risk control
- Compliance
- Other internal governance and control

The Company's auditors are in charge of examining how well the overall rules for internal control are complied with in the Group's companies. The auditors also report on their findings with respect to internal control. Following the review of the auditors, the Company's auditors prepare an audit memorandum for the Board of Directors with comments on the individual companies and the Group as a whole. The auditors also personally report their findings following their review and their evaluation of the Company's internal control and application of accounting policies during one Board of Directors meeting.

REMUNERATION COMMITTEE

The remuneration committee consists of Petter Stillström and Vilhelm Schottenius. Remuneration of the Chief Executive Officer and other members of senior management shall consist of a market-based fixed salary. Variable compensation such as bonuses may be allowed, where justified, to make possible recruitment and retention of key individuals and to stimulate improvements in sales and results. Variable remuneration shall be based on pre-determined and measurable criteria such as earnings and sales development. The variable remuneration may not exceed 100 percent of the fixed remuneration.

There shall be no separate fee for members of senior management for board-of-directors work in Group companies. Pension benefit shall be equal to the ITP plan, or when relating to members of senior management outside Sweden, pension benefits that are customary in the country in question. Severance pay does not occur within the Group.

TERMS OF EMPLOYMENT FOR THE CEO

Compensation to the CEO consists of a fixed salary and a bonus maximised to twelve monthly salaries. Refer to Note 7. No Board of Directors fee is paid to the President. Pension benefits amount to 25 percent of the fixed salary. For the CEO, a mutual notice period of 12 months applies.

COMPENSATION TO THE BOARD OF DIRECTORS

The General Meeting of Shareholders decides on fees to the directors elected by the General Meeting of Shareholders. The distribution of fees between the Chairman and other directors is shown in Note 7 of the annual report. No additional compensation has been paid to any director.

COMPOSITION OF THE BOARD OF DIRECTORS

2020			Presence		Independence	
Director	Elected	Fee SEK	Regularly sceduled Board of Directors meetings	Statutory Board of Directors meetings	Relative to the Company and management	Relative to major shareholders
Stillström Petter (Chairman since 2009)	2007	0	6/6	1/1	yes	no
Schottenius Vilhelm	2009	125,000	6/6	1/1	yes	yes
Lagerkvist Blenda	2018	100,000	6/6	1/1	yes	yes
Larsson Johan	2018	100,000	6/6	1/1	yes	yes

AUDITOR

At the 2020 Annual General Meeting, the audit firm KPMG was appointed as auditor. In conjunction with the Annual General Meeting, Mathias Arvidsson was appointed to serve as responsible for the audit. Mathias Arvidssons other assignments MQ, Christian Berner, Nelly NLY and IKEA of Sweden. Mathias Arvidsson owns no shares in Nilörngruppen.

THE AUDIT WORK

The Group applies international reporting standards, International Financial Reporting Standards (IFRS), when preparing the Group's financial reporting. Auditing of the annual report, the consolidated financial statements and the accounting, the management by the Board of Directors and the President is performed in accordance with generally accepted auditing standards in Sweden.

OPERATIONAL MANAGEMENT OF THE BUSINESS

The Board of Directors of Nilörngruppen appoints the President of the Parent Company, who also serves as Chief Executive Officer. Written instructions establish how responsibilities are divided between the CEO and the Board of Directors. The CEO's responsibility for day-to-day operations includes ongoing investments and divestments, personnel, financial and accounting issues, day-to day contacts with the Company's stakeholders, such as authorities and the financial market, and to ensure that the Board of Directors gets the information needed to make well-founded decisions The CEO reports to the Board of Directors. The CEO has appointed a management group which consists of the manager for Asia and the CEO.

Group management is responsible for implementation of the Group's overall strategy, ongoing business management, design and compliance with policy and risk management, financing issues and other matters incumbent upon a management group. Other issues dealt with may be corporate acquisitions and group-wide projects. The management group meets regularly to drive and follow up on current projects and business issues.

Report of the Board of Directors on internal control

GENERAL

The Board of Directors is responsible for the corporate governance work and the internal control in accordance with the Swedish Companies Act and The Swedish Code of Corporate Governance. The all-embracing purpose is to protect the Company's assets and the investment of the shareholders. This description of internal control and risk management is submitted by Nilorn's Board of Directors and has been compiled in accordance with The Swedish Code of Corporate Governance and is thus limited to internal control of the financial reporting. The Board of Directors has chosen to integrate the report of the Board of Directors on internal control in the corporate governance report and only describe how it is organised without providing statement on how well it has worked and without review by the auditor. Nilorn's internal control structure is based on the COSO model (Committee of Sponsoring Organizations of the Treadway Commission) and assessments are made in the fields of control environment, risk assessment, control activities, information and communication, and follow-up.

CONTROL ENVIRONMENT

The goal of the internal control is to create a clear responsibility structure and an efficient decision-making process. An important part hereof is to define and adopt a number of basic policies, guidelines and frameworks for the Company's financial routines.

The rules of procedure for the Board of Directors and for the CEO establish a role and responsibility distribution aimed at effective management of business risks. The Board of Directors has also adopted a number of basic guidelines and policies of importance to the internal control, such as financial policy, accounting and reporting instructions, financial manual personnel manual, anti-corruption policy and information policy. The basic policy and governance documents are subject to ongoing review. Management regularly reports to the Audit Committee based on established routines. The Board of Directors evaluates on an ongoing basis the operations and results in the form of an appropriate reports package containing an income statement and a balance sheet, and other relevant operational and financial information.

RISK ASSESSMENT

Risk assessment is performed on an ongoing basis in the Group to identify significant risks. Risk management includes identification, analysis and efforts to prevent risks from occurring or minimise their effects. As far as the financial reporting is concerned, the most important risks are judged to be the risk of significant errors in the valuation of assets, liabilities, revenue or costs, or changed business conditions, etc. The risk analysis has identified a number of critical risks. Major focus is on purchasing and revenue processes since this is where the largest flows in the Group are.

CONTROL ACTIVITIES

The Group's central staff is responsible for designing, implementing, enhancing and maintaining control routines and control activities in order to effectively manage the risks that the Board of Director and management deem to be essential. The control activities are aimed at timely detection or prevention of the risk of incorrect reporting.

Nilorn has introduced a control system to verify the various processes and to ensure the accuracy of the financial reporting. To safeguard the internal controls there are both automated controls such as IT-based systems that handle authorisation rights, and manual controls in the form of, for example; reconciliation, internal Board of Directors meetings, internal audit and self-evaluation.

Detailed economic analysis of results and follow-up to plans and forecasts complement the controls and provide an over-arching confirmation of the quality of the reporting. All reporting companies have a responsible chief financial officer, or a controller responsible for the accuracy of the financial reporting from the unit. Nilörngruppen's controller function follows up and analyses to verify that the reporting from each unit is correct, complete and timely. Presidents are not allowed to appoint or dismiss the chief financial officer and the chief financial officers report directly to the Group's CFO.

The results and follow-ups of the controls are presented to and discussed by the Audit Committee. Most processes are wholly or partially centralised, such as design, purchasing, logistics, financing, IT and consolidated summaries. The Board of Directors receives regular financial reports and the financial situation of the Group and the different companies is dealt with at every Board of Directors meeting.

INFORMATION AND COMMUNICATION

Nilorn's significant and governing documentation in the form of policies, guidelines and manuals regarding financial reporting, is communicated primarily via the intranet and the Group's finance manual.

The Board of Directors receives financial reports on a regular basis. For communication with internal and external parties there is a communications and IR policy that provides guidelines for how this communication should take place. The purpose of the policy is to ensure that all information obligations are complied with in a correct and complete manner.

FOLLOW-UP

The Board of Directors and management monitors on an ongoing basis the Group's compliance with adopted policies and guideline. Nilorn's business units are Integrated through common business and consolidated reporting systems, as well as common accounting Instructions. The Groups central finance function also works closely with subsidiary controllers regarding financial statements and reporting. Nilorn has no separate internal auditing function. On the other hand, Nilorn has a defined process for evaluation of and follow-up of internal control. The form of follow-up is decided on by the Board of Directors, which also assesses the need for a separate internal auditing function.

The Group applies international accounting standards, International Financial Reporting Standards (IFRS), when preparing the Group's reporting. An ongoing review is performed each autumn by the external auditor. Starting in 2018, the consolidated Q3 interim report is reviewed by the Company's auditor. This review follows the recommendation issued by FAR SRS.

Consolidated Income Statement

Amounts in TSEK	Note	2020	2019
	1, 2		
Net revenue	3	618,233	715,354
Other operating income	5	19,126	5,114
Total operating revenue		**637,359**	**720,468**
Raw materials and supplies		–346,109	–407,623
Other external costs	28	–62,686	–65,157
Personnel costs	7	–146,640	–153,753
Deprecation amortisation and impairment charges	9, 10	–25,854	–24,600
Other operating expenses	6	–5,307	–3,162
Operating result	3	**50,763**	**66,173**
Financial income	3, 26	606	734
Financial expense	3, 27	–4,304	–3,825
Net finance items		**–3,698**	**–3,091**
Profit before taxes		**47,065**	**63,082**
Taxes	3, 8	–13,551	–15,840
Profit for the year		**33,514**	**47,242**
Attributable to:			
The Parent Company's equity holders		33,514	47,242
Average number of shares outstanding in thousands		11,402	11,402
Average number of shares outstanding in thousands after dilution		11,402	11,402
Earnings per share, SEK		2.94	4.14
Earnings per share, SEK after dilution		2.94	4.14
Dividend per share, SEK (for 2020, as proposed by the Board of Directors)		2.0	0.00

Consolidated Report on Comprehensive Result

Amounts in TSEK	2020	2019
Profit for the year	33,514	47,242
Other comprehensive result that can be restated as profit for the year		
Translation differences	–10,405	4,193
Items not attributable to the year's result		
Re-evaluation of defined benefit pension plan	0	104
Total comprehensive result for the period	**23,109**	**51,539**
Period's comprehensive result attributable to:		
The Parent Company's equity holders	23,109	51,539

Consolidated Balance Sheet

Amounts in TSEK	Note	2020	2019
ASSETS	1, 2		
Non-current assets			
Intangible non-current assets	9	23,486	21,251
Tangible non-current assets	10	120,117	147,240
Shares in associated companies	12	0	530
Long-term receivables	13	2,913	3,334
Deferred tax assets	8	9,567	8,773
Total non-current assets		**156,083**	**181,128**
Current assets			
Inventories	15	106,648	119,007
Trade receivables	16	72,012	59,382
Other receivables	16	7,447	6,703
Current tax assets		7,106	6,627
Prepaid expenses and accrued income	17	5,756	7,214
Derivative Instruments	30	1,015	27
Cash and cash equivalents		66,276	32,292
Total current assets		**266,260**	**231,252**
TOTAL ASSETS		**422,343**	**412,380**
EQUITY AND LIABILITIES	1, 2		
Equity			
Share capital		2,850	2,850
Other contributed capital		43,231	43,231
Reserves		–10,249	156
Retained earnings including the year's profit		173,978	140,463
Equity attributable to the Parent Company's equity holders		**209,810**	**186,700**
Total equity		**209,810**	**186,700**
Long-term liabilities			
Long-term provisions	19	338	755
Deferred tax liabilities	8	4,263	2,679
Liabilities to credit institutions		51,274	47,834
Other non-interest-bearing liabilities		80	68
Total long-term liabilities		**55,955**	**51,336**
Current liabilities			
Short-term interest-bearing liabilities	18	28,179	74,084
Trade payables		62,930	54,256
Current tax liabilities		9,520	5,932
Other non-interest-bearing liabilities		17,167	3,960
Accrued expenses and prepaid income	20	38,782	36,112
Total current liabilities		**156,578**	**174,344**
TOTAL EQUITY AND LIABILITIES		**422,343**	**412,380**

Changes in Consolidated Equity

CLASSIFICATION OF EQUITY

Share capital

Item share capital includes the Parent Company's registered share capital. The share capital consists of 960,000 class A shares (quotient value SEK 0.25) and 10,441,988 class B shares (quotient value SEK 0.25). There was no change in the distribution between class A and class B shares during the year.

Other contributed capital

Transactions that have occurred include issuance of shares at a premium. The amount included in Other contributed capital thus in its entirety equivalent to capital added over and above the nominal amount of the issue.

Reserves

Reserves consist in their entirety of translation differences attributable to the translation of foreign subsidiaries in accordance with IAS 21.

Retained earnings

Retained earnings are equivalent to accumulated profits and losses generated totally in the Group, less dividends paid.

CAPITAL MANAGEMENT

The Group's equity, which in its entirety is attributable to the Parent Company's equity holders amounted to TSEK 209,810 (186,700). Nilorn's financial strategy is to create satisfactory financial conditions for the Group's operations and development. For 2020 the return on equity was 16.9 percent (25.7) and the equity ratio was 51.3 percent (45.3).

The Board of Directors proposes to the Annual General Meeting that a dividend ok SEK2.00 per share will be paid for the 2020 operating year.

Amounts in TSEK	**Share capital**	**Other contributed capital**	**Reserves**	**Retained earnings incl. profit for the year**	**Total**	**Total equity**
EQUITY 2018-12-31	2,850	43,231	–4,037	138,723	180,767	180,767
Profit for the year				47,242	47,242	47,242
Other comprehensive result						
Period's translation differences			4,193		4,193	4,193
Revaluation of defined benefit pension plan				104	104	104
Transactions with shareholders						
Dividend				–45,606	–45,606	–45,606
EQUITY 2019-12-31	**2,850**	**43,231**	**156**	**140,463**	**186,700**	**186,700**
Profit for the year				33,515	33,515	33,515
Other comprehensive profit						
Period's translation differences			–10,405		–10,405	–10,405
Revaluation of defined benefit pension plan					0	0
Transactions with shareholders						
Dividend					0	0
EQUITY 2020-12-31	**2,850**	**43,231**	**–10,249**	**173,978**	**209,810**	**209,810**

Consolidated Cash Flow Statement

Amounts in TSEK	2020	2019
Operating activities		
Operating profit	50,763	66,173
Adjustment for items not included in cash flow		
Depreciation, amortisation and impairment charges	25,854	24,600
Other items not affecting liquidity	–15,663	–16,623
	60,954	**74,150**
Interest income	606	734
Interest paid	–2,002	–1,569
Taxes paid	–10,442	–13,612
Cash flow from operating activities before changes in working capital	**49,116**	**59,703**
Cash flow from changes in working capital		
Inventories	–293	–8,326
Trade receivables	–12,995	27,252
Other short–term receivables	–752	11,315
Accounts payable	24,176	–18,733
Other liabilities	15,474	–7,898
Cash flow from operating activities	**74,726**	**63,313**
Investment activities		
Acquisition of intangible non–current assets	–5,398	–6,481
Acquisition of tangible non–current assets	–5,209	–43,629
Acquisition of financial non–current assets	0	–38
Received in sale of tangible non–current assets	341	0
Change in long–term receivable	282	–1,313
Cash flow from investment activities	**–9,984**	**–51,461**
Financing activities		
Repayment / raised loans	–24,320	26,910
Dividend paid	0	–45,606
Cash flow financing activities	**–24,320**	**–18,696**
Cash flow for the year	**40,422**	**–6,844**
Cash and cash equivalents at beginning of year	32,292	37,935
Translation difference in cash and cash equivalents	–6,438	1,201
Cash and cash equivalents at year–end	**66,276**	**32,292**

** By cash and cash equivalents is meant bank deposits and short-term investments with a tenor of less than three months.*

Parent Company Income Statement

Amounts in TSEK	Note	2020	2019
	1, 2		
Net revenue	4	27,560	28,309
Other operating income	5	224	200
		27,784	**28,509**
Raw materials, supplies and merchandise	4	0	0
Other external costs	28	–10,348	–11,166
Personnel costs	7	–17,875	–17,756
Depreciation, amortisation and impairment charges	9, 10	–2,388	–1,912
Operating profit		**–2,827**	**–2,325**
Profit from financial investments			
Result from shares in Group companies	29	39,056	100,492
Interest income and similar items	26	2,180	1,594
Interest expense and similar items	27	–1,722	–2,208
Profit after financial items		**36,687**	**97,553**
Year-end appropriations	24	1,893	7,326
Taxes on the year's profit	8	–261	–1,398
Profit for the year		**38,319**	**103,481**

Profit for the year is equivalent to comprehensive result for the year.

Parent Company Balance Sheet

Amounts in TSEK	Note	2020	2019
ASSETS	1, 2		
Non-current assets			
Intangible non-current assets	9	21,132	17,958
Tangible non-current assets	10	797	1,208
Financial non-current assets			
Shares in Group companies	11	111,139	120,448
Due from Group companies	14	6,094	6,428
Total financial non-current assets		*117,233*	*126,876*
Total non-current assets		**139,162**	**146,042**
Current assets			
Short-term receivables			
Accounts receivable	16	45	174
Due from Group companies		81,775	44,546
Other receivables		3,840	3,008
Prepaid expenses and accrued income	17	839	1,052
Derivative instruments	30	1,015	27
Total short-term receivables		*87,514*	*48,807*
Cash and cash equivalents		27,656	0
Total current assets		**115,170**	**48,807**
TOTAL ASSETS		**254,332**	**194,849**
EQUITY AND LIABILITIES	1, 2		
Equity			
Restricted equity			
Share capital (960,000 class A shares, quotient value SEK 0.25 and 10,441,988 class B shares, quotient value SEK 0,25)		2,850	2,850
Total restricted equity		*2,850*	*2,850*
Unrestricted equity			
Premium reserve			
Retained earnings		143,218	39,737
Profit for the year		38,319	103,481
Total unrestricted equity		*181,537*	*143,218*
Total equity		**184,387**	**146,068**
Untaxed reserves	23	**9,936**	**7,786**
Current liabilities			
Interest-bearing liabilities to credit institutions	18	0	2,000
Accounts payable		514	743
Due to Group companies		51,367	32,567
Other non-interest-bearing liabilities		1,899	827
Accrued expenses and prepaid income	20	6,229	4,858
Total current liabilities		**60,009**	**40,995**
TOTAL EQUITY AND LIABILITIES		**254,332**	**194,849**

Changes in Parent Company Equity

Amounts in TSEK	Share capital	Unrestricted equity	Total equity
EQUITY 2018–12–31	**2,850**	**85,345**	**88,195**
Profit for the year	-	103,481	103,481
Dividend	-	–45,608	–45,608
EQUITY 2019–12–31	**2,850**	**143,218**	**146,068**
Profit for the year	-	38,319	38,319
Dividend	-	0	0
EQUITY 2020–12–31	**2,850**	**181,537**	**184,387**

Profit for the year coincides with comprehensive result for the year.

Cash Flow Statement for the Parent Company

Amounts in TSEK	2020	2019
Operating activities		
Operating result	–2,827	–2,325
Adjustment for items not included in cash flow		
Depreciation, amortisation and impairment charges	2,388	1,912
Other items not affecting liquidity	228	
	–211	**–413**
Interest income	2,180	1,594
Interest paid	–1,722	–2,208
Taxes paid	–261	–1,398
Cash flow from operating activities before changes in working capital	**–14**	**–2,425**
Cash flow from changes in working capital		
Trade receivables	129	–174
Other short-term receivables	–38,837	58,859
Trade payables	–229	–973
Other current liabilities	21,243	–82,674
Cash flow from operating activities	**–17,708**	**–27,387**
Investment activities		
Acquisition of intangible non-current assets	–5,122	–6,393
Acquisition of tangible non-current assets	–28	–232
Acquisition of and additions to Group companies	–7,090	–1,166
Change in long-term receivable	334	–1,679
Cash flow from investment activities	**–11,906**	**–9,470**
Financing activities		
Net changes in short-term interest-bearing loans	–2,000	–28,952
Dividend income	55,227	100,492
Group contributions, received	4,135	11,166
Group contributions, rendered	–92	–240
Dividend paid	0	–45,608
Cash flow from financing activities	**57,270**	**36,858**
Cash flow for the year	**27,656**	**0**
Cash and cash equivalents at beginning of year	0	0
Cash and cash equivalents at year-end	**27,656**	**0**

** By cash and cash equivalents is meant bank balances and short-term investments with a tenor of less than three months.*

Notes

CONTENTS

1) Accounting policies

The consolidated financial statements for Nilörngruppen AB for the financial year ending 31 December 2020 have been approved by the Board of Directors and the President for publication on 26 April 2021 and will be presented to the 2020 Annual General Meeting for adoption. The Parent Company is a Swedish corporation (publ.), domiciled in Borås, Sweden.

REGULATIONS APPLIED

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as approved by the EG Commission for application within EU. In addition, RFR 1 Supplementary Accounting Rules for Groups of The Swedish Financial Reporting Board (RFR) has been applied, which means that certain supplementary information is provided in the consolidated financial statements. The accounting policies presented in the description below have been applied consistently for all periods covered by the consolidated financial statements. The principles have also been applied within the corporate group. The consolidated financial statements are mainly based on acquisition values, except in the case of certain financial assets and liabilities, which are valued at fair values. The financial reports have been prepared using Swedish kronor (SEK), which is Nilörngruppen's functional currency and also its reporting currency.

Preparation of financial reports according to IFRS requires management to make assessments, estimates and assumptions. Critical estimates and assessments are usually based on historical experience and on future expected events. Information about areas estimates and assessments applied include uncertainty is found in note 1.

Non-current assets, long-term liabilities and provisions essentially consist of amounts expected to be recovered or paid more than twelve months after the balance sheet date. Current assets, current liabilities and provisions essentially consist of amounts expected to be recovered or paid within twelve months of the balance sheet date.

Group

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Since Nilörngruppen AB is a company within EU, only IFRS approved by EU are applied.

Shareholder contributions are carried directly to equity with the recipient and are capitalised as shares with the donor, to the extent an impairment charge is not required.

New accounting policies 2020

No new accounting principles that have significantly affected Nilorn have been implemented for the year 2020.

New accounting policies 2021

Management assesses that new or changed standards and new interpretations that have not entered into force are not expected to have significant impact on the Group's financial reports when they are applied for the first time.

Parent Company

The Parent Company's annual accounts are prepared in accordance with the Swedish Annual Accounts Act and application of RFR 2. In accordance with this recommendation, the Parent Company shall prepare its reports in accordance with IFRS as issued by IASB and interpretations (IFRIC) adopted by EU to the extent they are not in conflict with the Swedish Annual Accounts Act. Unless otherwise stated, the accounting principles have been applied consistently on all periods.

In Sweden group contributions are deductible as opposed to shareholder contributions. Group contributions are reported in such a manner that they essentially reflect the transaction's economic substance, which means that group contributions received and rendered, and their current tax effect are reported in the income statement. The Parent Company reports all holdings in subsidiaries at cost after deduction of any accumulated impairment.

Due to the relationship between the accounting and the taxation, the deferred tax liability on untaxed reserves in the Parent Company's financial statements is reported as a part of untaxed reserves.

CRITICAL ESTIMATES AND JUDGMENTS

Management is of the opinion that the following areas include the most critical estimates and judgments performed in conjunction with preparing the financial reports, where a differing judgment may result in significant changes in the financial reports during the coming year.

- Judgment if the probability that deferred tax assets may be realised.
- Judgments and significant assumptions in impairment-testing of assets.
- Judgments when determining and disclosures regarding provisions and contingent liabilities.

When preparing the financial statement in accordance with IFRS, estimates and assessments have been made relative to these areas. These assessments are based on historical experience and the various assumptions that management and the Board of Directors feel are reasonable under prevailing conditions. In cases where it has not been possible to determine the reported value on assets and liabilities via information from other sources, such assessments and assumptions are the basis for the valuation. If other assessments are made, or other circumstances arise, the actual outcome may differ from these assessments. Especially in the areas of taxes and disputes, and the valuation of trade receivables, assessments can have a significant impact on Nilorn's profit and financial position.

Valuation of tax loss carryforwards

As of 31 December 2020, the Group has tax loss carryforwards amounting to TSEK 33.794. These tax loss carryforwards have been tested as other date of closing the books and it has been judged as probable that the tax loss carryforward can be offset against surpluses in future taxation. Deferred tax assets attributable to these tax loss carryforwards amount to TSEK 5.565 and refer to the tax loss carryforwards in Belgium, which can be utilised for unlimited time. Operations in Belgium are expected to generate future surpluses. Nilörngruppen therefore feels that there are factors that convincingly indicate that the tax loss carryforwards which tax assets are attributable to will be able to be utilised against future surpluses.

Disputes

Nilorn is not involved in any disputes.

Trade receivables

Receivables are reported net after making a provision for doubtful claims. The net value reflects the amounts expected to be collected based on circumstances known on the balance sheet date. Changes in circumstances, such as an increase in defaults, or changes in significant customer's financial position, may entail significant discrepancies in the valuation. At year-end 2020 trade receivables amounted to TSEK 72,012, net after reserves for doubtful claims. The reserve for doubtful claims amounted to TSEK 7,410 at the end of 2020 (5,308).

Receivable from Group companies and shares in Group companies (Parent Company)

If the economic development in a subsidiary deteriorates beyond the Company's assessments, an impairment charge against shares and an increase in the reserve for receivables may become necessary, with a resultant negative effect on profit. There were no provisions in the Parent Company attributable to Group companies.

BASES FOR CONSOLIDATION

The consolidated financial statements include Nilörngruppen AB and its subsidiaries. The financial reports for the Parent Company and the subsidiaries included in the consolidated financial statements refer to the same period and are prepared in accordance with the accounting policies that apply to groups. All intra-group transactions, revenue, costs, gains and losses arising in transactions between companies included in the consolidated financial statements are eliminated in their entirety.

A subsidiary is included in the consolidated financial statements from the time of acquisition, which is the date when the Parent Company acquires a controlling influence and is included in the consolidated financial statements until the day when the controlling influence ceases. Subsidiaries are included in the consolidated financial statements according to the purchase method of accounting. Inter alia, this means that the acquisition value is allocated to acquired assets, assumed commitments and liabilities at the acquisition date on the basis of their fair values. The Group's equity includes the Parent Company's equity and the portion of the subsidiaries' equity added after the time of acquisition. Foreign subsidiaries report their financial position and results to the Parent Company in its own currency. Translation then takes place in accordance with the current rate method, which means that the balance sheet is converted at the exchange rate prevailing on the balance sheet date and the income statement is converted using the average for the financial year. Transactions in foreign currency are converted to functional currency at the exchange rate prevailing on the transaction day. Foreign exchange gains and losses arising in transactions in foreign currency, and upon translation of monetary assets and liabilities in foreign currency, are converted at the rate prevailing on the balance sheet date and are reported in the income statement. The income statements and balance sheets of all Group companies using another functional currency than the reporting currency are translated to the Group's currency by translating all balance sheet items except for the net result at the rate prevailing on the balance sheet date and the net result is translated using the average rate of exchange. All arising exchange rate differences are reported as part of other comprehensive result.

The consolidated financial statements contain no year-end appropriations in the income statement, or any untaxed reserves in the balance sheet. The tax portion of year-end allocations is treated as tax on the year's result, with the rest carried to the year's result. The tax portion of untaxed reserves is dealt with in a similar way, while the remainder is included in profit for the year. The tax portion of untaxed reserves is dealt with in a similar manner as a deferred tax liability, while the remaining portion is included in consolidated equity. The deferred tax liability has been calculated using current tax rates in each respective country.

The Group's accounting principles are consistently applied to all reporting and consolidation of subsidiaries.

NONCURRENT ASSETS

Intangible and tangible non-current assets

Intangible and tangible non-current assets are reported as assets in the balance sheet if it is likely that future economic benefits will accrue to the company and if the cost of the asset can be calculated in a reliable manner.

Intangible and tangible non-current assets are valued at cost, less depreciation according to plan and any impairment. Depreciation according to plan is calculated based on the acquisition value and takes into account each asset's individually assessed period of use. Residual values have been deemed irrelevant and are not taken into account. Depreciation commences from the date of acquisition. The following intervals shows the assessment made for each asset class.

Intangible assets	*10-20%*
Buildings	*1.25-10%*
Plant and machinery	*10-20%*
Equipment, tools, fixtures and fittings	*20-33.3%*

Gains or losses arising upon sale or disposal of intangible and tangible non-current assets consist of the difference between the selling price and the carrying value. The result is reported as other operating income /-expense.

IMPAIRMENT OF INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS

The Group continuously evaluates the book values of non-current assets. If there is any indication that a non-current asset's value has declined, the recovery value of the asset is determined. By recovery value is meant the higher of an asset's net realisable value and its value in use. The asset is depreciated by the amount by which the asset's carrying value exceeds its recovery value and the cost is carried to profit and loss. An asset's value in use is calculated by discounting future cash flows. In order to determine the value in use, assets are grouped to cash-generating units, which is the smallest group of assets which gives rise to current payment surpluses independent of other assets or groups of assets. The basis for grouping into cash-generating units is the geographic segments. The calculation and testing as of 31 December 2017 were performed based on an internal assessment of cash flows five years forward and thereafter using an assumed growth rate of 1 percent. The discount rate before taxes was set at 7-13 percent depending on market.

FINANCIAL INSTRUMENTS

The Group classifies its financial instruments and financial liabilities in the following categories:

- Financial assets valued at fair value via the income statements or other comprehensive result.
- Financial assets valued at accrued acquisition value.
- Liabilities are valued at accrued acquisition value.
- Derivative instruments.

Aside from foreign exchange derivatives, the Group only has financial assets and liabilities in the accrued acquisition value category.

Financial assets

Assets held for the purpose of collecting contractual cash flows and where these flows only constitute capital amounts and interest are valued at accrued acquisition value. They are included in current assets, with the exception of items with a maturity date more than 12 months from the balance sheet date and are included in financial revenue. The Group's financial assets valued at accrued acquisition value (previously loan receivables and trade receivables) consist of the items trade receivables, other long-term receivables, and cash and cash equivalents.

Assets are distributed on the following amounts in the balance sheet:

Financial assets	**Accrued acquisition value 2020-12-31**	**Accrued acquisition value 2019-12-31**
Other long-term receivables	2,913	3,334
Trade receivables	72,012	59,382
Cash and cash equivalents	54,056	32,292
Total	**128,981**	**95,008**

Purchases and sales of financial assets are reported on the transaction day, the date when the Group undertakes to buy or sell the asset. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument ceases or has been transferred and the Group has transferred virtually all risks and benefits associated with the ownership. Financial assets are valued initially at fair value plus, in cases when the asset is not reported at fair value via the income statement, transaction costs directly attributable to the purchase. After the acquisition point in time they are reported at accrued acquisition value with application of the effective rate method.

The Group estimates the future expected credit losses linked to assets reported at accrued acquisition value. The Group reports a credit reserve for such expected credit losses on each reporting date. The loss reserve relating to financial assets is based on assumptions of risk of default and expected loss levels. The Group reports a credit reserve for such expected credit losses on each reporting date. The loss reserve relating to financial assets is based on assumptions of the risk for default and expected loss levels. The Group makes its own assessments for assumptions and choice of input data for the calculation of the impairment. These are based on history, known market conditions and forward-looking estimates at the end of each reporting period. For assessing of or credit provisions for accounts receivable, refer to Note 16.

Liabilities

Liabilities are classified as other financial liabilities, which means that they are initially carried at the amount received, less any transaction costs. After the acquisition date loans are valued at accrued acquisition value in accordance with the effective compound rate method. Long-term liabilities have an expected maturity of more than one year, while short-term liabilities have an expected maturity of less than one year. Financial liabilities are recognised when the counter-party has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade payables are obligation to pay for goods or services acquired in operating activities from suppliers. Trade payables are classified as current liabilities if they fall due within one year or earlier. If not, they are carried as long-term liabilities.

Financial liabilities are distributed as follows in the balance sheet:

Financial liabilities	Accrued acquisition value 2020-12-31	Accrued acquisition value 2019-12-31
Short-term interest-bearing liabilities	15,959	74,084
Trade payables	62,930	54,256
Total other financial liabilities	**78,889**	**128,340**

Derivative instruments

The Group's derivative instruments at year-end 2020 are shown in Note 30.

ASSOCIATED COMPANIES

Investments in associated companies where the parent Company, directly or indirectly, owns between 20 and 50 percent of the voting power, or otherwise has significant influence.

Associated companies are reported in accordance with the equity method.

In the consolidated balance sheet shares in associated companies are carried as a separate item among financial non-current assets.

REVENUE RECOGNITION

A major portion of Nilorn's revenue is obtained from the sale of goods. Sales are recognised when significant risks and benefits have been transferred to the buyer, when the seller no longer has any control over the goods sold, when the value of the transaction can be measured in an accurate manner and it is probable that the economic benefits associated with the sale will accrue to the benefit of the Company. The value of the transaction is affected by, inter alia, discounts granted and exchange rate differences.

Revenue from services provided is recognised when the services are performed. Intra-group sales are eliminated in the consolidated financial statements.

LEASING

The Group applies IFRS16 for accounting for leasing agreements. According to IFRS16, the lessee must report (a) assets and liabilities for all leases with a lease term longer than twelve months, with the exception of assets of low value, and (b) amortization of leased assets separately from the interest expense on leasing in the income statement.

FINANCIAL INCOME AND EXPENSE

Financial income and expense consist of interest income on bank balances and receivables as well as inter-bearing securities, interest expense on loans, exchange rate differences and changes in the value of financial investments. Commissions paid or received in with issuance/raising of loans are allocated over the life of the loan. Payments under financial leases area re-allocated as either interest expense or repayment of principal. The interest expense is recognised as a financial cost. Interest income on receivables and interest expense on liabilities are calculated using the effective rate method. The effective interest rate is the rate that discounts the estimated future receipts and payments over a financial instrument's expected maturity to the financial asset's or liability's net value. Transaction costs, including issuing costs, are expensed directly when receivables and liabilities are valued at fair value via profit and loss and are allocated over the maturity when measured at acquisition cost.

SEGMENT REPORTING

Geographic markets provide products or services within a special economic environment subject to risks and returns that differ from the risks and the returns that apply to units active in other economic environments. Nilörngruppen's geographic areas constitute segments. The market grouping made reflects the natural boundary of the markets in the Group. The markets are the Nordic Region, Other Europe and Asia. The Nordic Region and Other Europe consists of sales units. Segment Asia has no sales unit, but consists primarily of sourcing, warehousing and distribution. The grouping reflects the Company's internal organisation and reporting system. Operating expenses not included in the segments are recognised as Group-wide costs and include primarily costs for Group management, central staffing, etc. Intra-segment sales are on market terms and at market prices.

INVENTORIES

Inventories are valued at the lower of cost and market, i.e. at the lower of cost and fair value. The first-in-first-out principle is applied for determining cost. Fair value consists of estimated selling value, less estimated selling cost.

TAXES

The Group uses the balance sheet method to calculate deferred tax assets and tax liabilities. The balance sheet method means that calculations are made based on the tax rates prevailing on the balance sheet date applied to temporary differences between and asset's or a liability's book and tax value, and tax loss carryforwards. Deferred tax assets are recognised in the balance sheet only up to the value that can probably be utilised within the foreseeable future. An individual review is made for each company. When calculating deferred taxes, the current nominal tax rate in each country is used.

The individual companies' untaxed reserves, split between equity and deferred taxes, are recognised in the consolidated balance sheet.

The taxes attributable to the year's change in untaxed reserves is recognised in the consolidated income statement as deferred taxes.

The tax legislation in certain countries allows provision to separate reserves and funds. In this way companies can, within certain limits, use and retain reported profits in the business without making them subject to immediate taxation. Such untaxed reserves become subject to taxation only when utilised for a purpose other than covering losses.

The Group's total taxes in the income statement consist of current taxes on the taxable profit for the period and deferred taxes. The deferred taxes essentially consist of changes in deferred tax assets relating to tax loss carryforwards and other temporary differences, and any change in untaxed reserves.

CONTINGENT LIABILITIES

A contingent liability is recognised when there is a possible undertaking due to events that have occurred and the existence of which are confirmed only by one or more future events, or when there is an undertaking not recognised as a liability or provision because it is improbable that an outflow of resources will be required.

PROVISIONS

Provisions are carried in the balance sheet when the company has a legal or informal undertaking as a result of an event, and when it is probable that an outflow of resources will be demanded to settle the commitment, and that a reliable estimate if the amount can be made. The provision is recognised in the amount corresponding to the best estimate of the payment required to settle the commitment. Provisions are carried in the balance sheet as other short-term and long-term liabilities.

PENSIONS

In Nilorn there are mostly defined contribution pension plans. The Swedish companies switched during the year from a defined benefit ITP plan to a defined contribution plan.

There are defined benefit pension plans in Turkey. The year's pension cost and the present value of defined benefit obligations for the employees in Turkey have been calculated using the Projected Unit Credit Method. For further information, refer to Note 19.

The Group's payments for defined contribution pension schemes are expensed in the period during which the employees have performed the services the fee relates to. The Group's total cost for defined contribution pension plans is TSEK 7,292 (6,926), of which premiums paid in Sweden amount to TSEK 3,225 (3,337).

TRANSACTIONS WITH CLOSELY RELATED PARTIES

During 2020 Nilörngruppen AB sold services to AB Traction and subsidiaries for TSEK 75. From the perspective of the Group, there are no other transactions with closely related parties during 2020. The Parent Company's transactions with subsidiaries relate to design, product development, IT and other services. For information about salaries and fees to management and the Board of Directors, refer to Note 7.

2) Financial risks and risk management

The group is exposed through its operations to different kinds of financial risks. By financial risk is meant fluctuations in the Company's profit and cash flow due to changes in foreign exchange rates, interest rate levels, re-financing and credit risks.

Management of the Group's financial risks is concentrated to a central finance function that operates based on a finance policy adopted by the Board of Directors.

The Group's finance function is responsible for capital procurement as well as currency and risk management for the Group as a whole. The overarching goal for the finance function is to provide cost-effective financing and to minimise negative effects on the Group's profit due to market fluctuations.

CURRENCY RISK

Transaction exposure

Commercial flows of receipts and payments in different currencies give rise to transaction risk.

Commercial flows are mainly denominated in the subsidiaries' own currency and the transaction risk is therefore deemed to be low and is not hedged. In companies where purchases and sales are in different currencies, there is the possibility of currency hedging through forward contracts, however. Most of the Nilorn Group revenue – about 90 percent – is in currencies other than the Group's functional currency. Thanks to local purchases and sales there is matching among the subsidiaries within the same currency area, however. That means that the impact of that currency on consolidated net profit is limited, but has major effect on individual items in the consolidated income statement, such as net revenue, raw materials and supplies, goods for resale, etc. The effect hereof is that a 10 percent stronger Swedish krona impacts consolidated revenue negatively by approximately MSEK 70 and net profit by approximately MSEK 4.

Counterparties in derivative transactions consist only of creditworthy banks, with the lowest long-term rating AA- according to S&P. Hedge accounting of the forward contracts are not made. Market valuation according to IFRS 9 Financial instruments: Accounting and valuation are made operating, which means that unrealized gains and losses are recognised in the income statement.

Balance exposure

Aside from the transaction exposure described above, the Group is affected by currency movements thanks to the receivable and liabilities that continuously arise in foreign currencies. A major portion of the risks that arise must be covered by financing in each respective company's currency, or by hedging.

Translation exposure

Nilörngruppen's income statement and balance sheet are denominated in SEK. Most of the Group's subsidiaries report in currencies other than SEK, which means that Nilörngruppen's consolidated profit and equity is exposed to currency fluctuations. This currency risk is called translation exposure.

Expected future results and equity in foreign subsidiaries are not hedged. Upon sale of a foreign subsidiary the translation difference is carried to profit and loss and thus affects the result.

INTEREST RISK

Interest risk refers to the risk that the Group's exposure to changes in market interest rates can have a negative effect on net profit. Management of the Group's interest rate exposure is centralised, which means that the central financial function is charged with responsivity for handling this exposure. The duration and loan terms for loans raised are determined based on Nilörngruppen's future liquidity needs, the interest rate situation and other factors in the credit market, which may be relevant at the time of a need for borrowing. Nilörngruppen is well capitalised and the need for loan financing is basically limited to working capital financing in countries where overdraft checking account facilities are not available. Interest costs is estimated to increase by about 0.4 percent if the loan interest rate rises by 1 percent.

Surplus liquidity is used primarily to reduce the external loan debt. The security of principal is the priority.

FINANCING RISK

Nilorn has an overdraft checking account facility in a total approved amount of MSEK 121, of which MSEK 41 was utilised as of 31 December 2020. The Company's need for external financing may increase over time. The Company's ability to pay its debt and fulfil its obligations and live up to the terms and conditions for the overdraft checking account facility, and also the Company's ability to raise loans on favourable terms and conditions, or to obtain credit at all and to make payments in accordance with its obligations, rests the Company's future profits, among other things. Certain aspects of the Company's results depend on economic, financial, competition-related and other factors beyond the control of Nilörngruppen. If the Company fails in fulfilling its obligations under the checking account overdraft facility, or in the future breeches any of the terms and conditions for the credit, this may have a significant negative impact on the Company's business, results and financial position.

A continuous dialogue is held with the Group's main bank regarding financing of the Group. There are covenants with the Company's lenders.

RAW MATERIAL RISK

Price risk

Raw materials price risk refers to the risk that the costs for direct and indirect materials rise when raw material prices rise on the world market. The Group does not hedge any of its purchases of raw materials as this is judged to have limited impact on the result.

Supplier dependence

There are alternative suppliers for all goods the Nilörngruppen procures. For this reason, the assessment is that Nilörngruppen would not be seriously injured if an individual supplier were to be unable to meet all requirements.

CREDIT RISK

The risk that the Group's customers do not fulfil their obligations, i.e. that Nilörngruppen does not receive payment for its trade receivables, is a customer credit risk. Nilörngruppen checks the credit of its customers which involves obtaining information about customers' financial position from different credit reporting agencies. Monitoring of outstanding receivables is ongoing, and reminders and interest invoices are sent out whenever necessary. The Group's outstanding trade receivables are reviewed, and individual risk assessment is made based on guarantees from clients, due dates and history.

IT–SECURITY

Nilörngruppen works actively with IT security and has taken a variety of measures to prevent IT problems from occurring. To the extent problems would still arise, immediate action is taken to ensure that production, deliveries, etc. are minimally affected. Nilorn has an IT department that works to ensure operations, develop the Group's enterprise systems and give the customers first class service when integrating IT and logistics solutions.

3) Reporting over geographic areas

PRIMARY SEGMENTS – GEOGRAPHIC AREAS

	Nordic countries	Other Europe	Asia	Group activities	Total
2020 Financial Year					
Revenue					
External revenue	49,628	198,555	370,050	-	618,233
Total revenue	**49,628**	**198,555**	**370,050**	**0**	**618,233**
Profit					
Operating profit	3,157	15,141	34,638	–2,172	50,764
Interest income				606	606
Interest expense				–4,304	–4,304
Taxes on the year's profit				–13,551	–13,551
Profit for the year	**3,157**	**15,141**	**34,638**	**–19,421**	**33,515**

	Nordic countries	Other Europe	Asia	Group activities	Total
2019 Financial year					
Revenue					
External revenue	62,505	209,488	443,361	-	715,354
Total revenue	**62,505**	**209,488**	**443,361**	**0**	**715,354**
Profit					
Operating profit	9,056	16,685	41,925	–1,493	66,173
Interest income				734	734
Interest expense				–3,825	–3,825
Taxes on the year's profit				–15,840	–15,840
Profit for the year	**9,056**	**16,685**	**41,925**	**–20,424**	**47,242**

All sales are sales of goods and none of the Groups customers account for 10 percent or more of external sales. External sales refer to invoicing for goods. The Nordic Region refers to: Sweden, Denmark, Norway and Finland. Other Europe essentially refers to: England, Germany, Belgium, Holland, France, Spain, Portugal, Turkey and Italy. Asia essentially refers to: Hong Kong, China, India, Bangladesh and Pakistan.

4) Intra-Group purchases and sales

During the year Nilorn sold services for TSEK 75 (108) to the principal owner, AB Traction with subsidiaries. There were no transactions during the year that significantly affected the Group's profit or financial position.

Parent Company Nilörngruppen AB does not conduct any sales of goods and makes no purchases from subsidiaries. The Parent Company's net revenue refers exclusively to compensation from subsidiaries in the form of design and IT services and other administrative compensation. Sales and purchases among Group companies are at market prices.

Refer to note 7 for information on remuneration to management and the Board of Directors.

5) Other operating revenue

	Group		Parent Company	
	2020	2019	2020	2019
Contributions	12,300	0	-	-
Gains on sale of non-current assets	335	0	0	0
Exchange rate gains on receivables/liabilities of an operating nature	5,007	4,588	0	0
Other	1,484	526	224	200
Total operating revenue	**19,126**	**5,114**	**224**	**200**

6) Other operating expenses

	Group	
	2020	2019
Capital losses	64	19
Exchange rate losses on receivables/liabilities of an operating nature	5,243	3,026
Other		117
Total other operating expenses	**5,307**	**3,162**

7) Employees, salaries and other compensation

AVERAGE NUMBER OF EMPLOYEES (WHEREOF WOMEN)

	Group				Parent Company			
	2020		2019		2020		2019	
Sweden	40	(21)	38	(18)	21	(5)	22	(5)
Denmark	8	(4)	7	(4)				
Germany	32	(18)	32	(18)				
Belgium	9	(6)	10	(7)				
Turkey	24	(11)	28	(14)				
United Kingdom	34	(17)	37	(18)				
Portugal	56	(32)	58	(33)				
India	18	(6)	20	(6)				
Bangladesh	122	(5)	106	(5)				
China	26	(14)	11	(2)				
Pakistan	11	(1)	27	(14)				
Hong Kong	119	(77)	120	(77)				
Total average number of employees	**(499)**	**(212)**	**494**	**(216)**	**21**	**(5)**	**22**	**(5)**

NUMBER OF DIRECTORS AND SENIOR EXECUTIVES ON THE BALANCE SHEET DAY (OF WHOM WOMEN)

	Group				Parent Company			
	2020		2019		2020		2019	
Directors	4	(1)	4	(1)	4	(1)	4	(1)
CEOs and other senior executives	13	(2)	13	(2)	2	(-)	2	(-)
Total number of directors and senior executives	**17**	**(3)**	**17**	**(3)**	**6**	**(1)**	**6**	**(1)**

SALARIES, OTHER COMPENSATION AND SOCIAL BENEFITS

	Group		Parent Company	
	2020	2019	2020	2019
Salaries and other compensation	117,542	121,216	11,299	10,861
Social benefits	14,976	17,502	3,771	4,202
Pension costs	7,292	7,709	1,953	2,065
Total compensation	**139,810**	**146,427**	**17,023**	**17,128**

COMPENSATION TO DIRECTORS

Directors' fees are paid to the Chairman of the Board of Directors and Directors in accordance with the decision of the Annual General Meeting. Total compensation to the Board of Directors was as follows:

	Parent Company	
	2020	2019
Chairman of the Board of Directors, Petter Stillström	0	180
Blenda Lagerkvist	100	100
Johan Larsson	100	100
Vilhelm Schottenius	125	100
Total compensation the Board of Directors	**325**	**480**

CEO

During 2020, Claes af Wetterstedt was CEO up until March when he resigned. Krister Magnuson was appointed CEO at the same time. Compensation to Nilörngruppen's Chief Executive Officer for 2020 has been decided by the Board of Directors and amounted during the financial year to TSEK 3,397 (1,732), of which TSEK 0 (0) was a bonus. The notice period for the CEO is mutual twelve months and the severance payment for Claes af Wetterstedt has been booked in 2020 and is included in the table above.

Other senior executives

Compensation to other members of senior management in the Parent Company was decided by the President in consultation with the Chairman of the Board of Directors. Salaries and other compensation to other members of senior management in the Parent Company amounted to TSEK 0 during the 2020 financial year (1,032). By other members of senior management in the Parent Company is meant the persons who together with the President constitute Nilörngruppen's Group management and are employed by Nilörngruppen AB. During 2020 Group management consisted of two persons, including the President: Krister Magnusson and Andrew Hoppe. Andrew Hoppe is employed by Nilorn East Asia Ltd.

The variable portion to other members of senior management in the Parent Company, and to the presidents of subsidiaries, is based on the Group's and each respective subsidiary's profit and revenue trend and is maximised to between 0 and 12 monthly salaries, depending on country and position. There are no severance payment agreements.

Pension commitments

There are defined benefit pension commitments in the Group in Turkey, calculated according to the Projected Unit Credit Method. See also note 19.

COMPENSATION AND OTHER BENEFITS TO OTHER MEMBERS OF SENIOR MANAGEMENT

	Basic salary	Variable compensation	Other benefits	Pension cost	Total	Social Benefits Parent Company
2020						
President	3,397	-	111	906	4,414	1,322
Other members of senior management, Parent Company	0	-	0	0	0	-
Total	**3,397**	**0**	**111**	**906**	**4,414**	**1,387**
Presidents of subsidiaries in Group management	1,995	110	676	92	2,873	
Presidents, subsidiaries	8,578	258	161	407	9,404	
Group total	**13,970**	**368**	**948**	**1,405**	**16,691**	
2019						
President	1,732	0	5	436	2,173	546
Other members of senior management, Parent Company	1,032	0	116	271	1,419	360
Total	**2,764**	**0**	**121**	**707**	**3,592**	**906**
Presidents of subsidiaries in Group management	2,055	237	673	95	3,060	
Presidents, subsidiaries	7,474	247	169	532	8,422	
Group total	**12,293**	**484**	**963**	**1,334**	**15,074**	

8) Taxes

TAXES ON THE YEAR'S PROFIT

	Group		Parent Company	
	2020	2019	2020	2019
Current taxes	12,934	16,203	261	1,398
Deferred taxes	617	–363	0	0
Current taxes applicable to prior years	-	-	-	-
Total taxes on the year's profit	**13,551**	**15,840**	**261**	**1,398**

RECONCILIATION OF REPORTED TAXES

	Group		Parent Company	
	2020	2019	2020	2019
Profit before taxes	47,065	63,082	38,580	104,879
Taxes according to current tax rate 21.4%	10,072	13,500	8,256	22,444
Non-deductible expenses	2,118	854	13	23
Non-taxable income	–1,661	–721	–8,359	–21,505
Losses in Group companies for which deferred tax assets are not recognised	680	316	86	-
Adjustment in previous year's tax assessment	–1,314	–327	-	-
Revaluation of deferred tax asset	1,023	64	-	0
Utilisation of deferred tax assets	-	-	-	-
Foreign tax rates	256	19	-	-
Other taxes	2,377	2,135	264	436
Reported effective taxes	**13,551**	**15,840**	**261**	**1,398**

As of 31 December 2020, the Group has tax-loss carryforwards totalling TSEK 33.794. These tax-loss carryforwards were assessed as of the balance sheet date and it has been deemed probable that the loss carry-forwards can be offset against surpluses in future taxation. Deferred tax assets attributable to these tax-loss carryforwards amount to TSEK 5,565 and relate to tax-loss carryforwards in Belgium, which can be utilised indefinitely. The businesses in Belgium are expected to generate future surpluses. Nilorn therefore is of the opinion that there are factors that convincingly suggest that the loss carryforwards to which they are attributable can be utilised to offset future taxable surpluses.

DEFERRED TAX ASSET

	Group	
Change	2020	2019
Opening balance	8,773	7,469
Revaluation of deferred tax assets	723	1,062
Utilisation of deferred tax assets	-	-
Other temporary differences	556	280
Effect of exchange rate fluctuations	–484	–38
Closing balance	**9,568**	**8,773**
Specification		
Internal profit	117	117
Tax loss carryforward	5,565	4,845
Other temporary differences	3,886	3,811
Total deferred tax asset	**9,568**	**8,773**

DEFERRED TAX LIABILITY

	Group	
Change	2020	2019
Opening balance	2,679	1,558
Other temporary differences	1,436	335
Untaxed reserves	460	792
Effect of exchange rate fluctuations	–312	–6
Closing balance	**4,263**	**2,679**
Specification		
Other temporary differences	2,137	966
Untaxed reserves	2,126	1,713
Total deferred tax liability	**4,263**	**2,679**

9) Intangible non-current assets

INTANGIBLE NON-CURRENT ASSETS, EXTERNALLY ACQUIRED

	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	30,014	23,454	22,988	16,595
Capital expenditures during the year	5,398	6,476	5,122	6,393
Sales and disposals during the year	–43	–40	-	-
Effect of exchange rate fluctuations	–294	124	-	-
Closing cost	**35,075**	**30,014**	**28,110**	**22,988**
Opening accumulated depreciation and amortisation according to plan	8,763	6,860	5,030	3,703
Depreciation and amortisation according to plan during the year	2,477	1,877	1,948	1,327
Depreciation and amortisation according to plan on assets sold and disposed of during the year	–43	–40	-	-
Impairment during the year	595	-	-	-
Effect of exchange rate changes	–203	66	-	-
Closing accumulated depreciation and amortisation according to plan	**11,589**	**8,763**	**6,978**	**5,030**
Carrying value at year-end	**23,486**	**21,251**	**21,132**	**17,958**

OTHER INTANGIBLE NON-CURRENT ASSETS, INTERNALLY GENERATED

	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	9,064	9,064	9,064	9,064
Closing cost	**9,064**	**9,064**	**9,064**	**9,064**
Opening accumulated depreciation and amortisation according to plan	9,064	9,064	9,064	9,064
Closing accumulated depreciation and amortisation according to plan	**9,064**	**9,064**	**9,064**	**9,064**
Carrying value at year-end	**0**	**0**	**0**	**0**

REPORTED VALUES OF INTANGIBLE NON-CURRENT ASSETS

	Group		Parent Company	
	2020	2019	2020	2019
Goodwill	2,096	3,199	-	-
Other intangible non-current assets, externally generated	21,390	18,052	21,132	17,958
Total	**23,486**	**21,251**	**21,132**	**17,958**

Intangible assets, externally generated, consist of customer relationships, pattern programs and other acquired software. Costs for in-house development of an enterprise system adapted to operations are carried as an internally generated intangible asset.

10) Tangible non-current assets

BUILDINGS AND LAND

	Group	
	2020	2019
Opening cost	54,462	22,005
Investments during the year	16	32,044
Effect of exchange rate fluctuations	–2,735	413
Closing cost	**51,743**	**54,462**
Opening accumulated depreciation according to plan	4,618	3,814
Depreciation according to plan during the year	1,138	767
Effect of exchange rate fluctuations	–143	37
Closing accumulated depreciation according to plan	**5,613**	**4,618**
Carrying value at year-end	**46,130**	**49,844**

PLANT AND MACHINERY

	Group	
	2020	2019
Opening cost	67,841	59,444
Investments during the year	3,891	8,734
Sales and disposals during the year	–23	–2,255
Effect of exchange rate fluctuations	–4,182	1,918
Closing cost	**67,527**	**67,841**
Opening accumulated depreciation according to plan	41,932	40,361
Depreciation according to plan during the year	3,883	3,058
Depreciation according to plan on assets sold and disposed of	–156	–2,236
Effect of exchange rate fluctuations	–1,856	748
Closing accumulated depreciation according to plan	**43,803**	**41,932**
Carrying value at year-end	**23,725**	**25,910**

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	44,483	41,136	3,923	3,691
Investments during the year	2,299	2,896	28	232
Sales and disposals during the year	–333	–902		
Reclassification		425		
Effect of exchange rate fluctuations	–4,159	928		
Closing cost	**42,290**	**44,483**	**3,951**	**3,923**
Opening accumulated depreciation according to plan	29,487	25,650	2,715	2,131
Depreciation according to plan during the year	3,709	3,715	439	584
Depreciation according to plan on assets sold and disposed of	–282	–883		
Reclassification	–9	409		
Effect of exchange rate fluctuations	–2,628	596		
Closing accumulated depreciation according to plan	**30,277**	**29,487**	**3,154**	**2,715**
Carrying value at year-end	**12,013**	**14,996**	**797**	**1,208**

CARRYING VALUES OF TANGIBLE NON-CURRENT ASSETS

	Group		Parent Company	
	2020	2019	2020	2019
Buildings and land	46,130	49,844		
Plant and machinery	23,725	25,910		
Equipment, tools, fixtures and fittings	12,013	14,996	797	1,208
Leasing according to IFRS 16	38,250	56,491		
Total	**120,117**	**147,241**	**797**	**1,208**

11) Shares in Group companies

GROUP COMPANIES – SCOPE OF HOLDING

Company	**Currency**	**Nominal value**	**Number**	**Capital stake**	**Carrying value 2020**	**Carrying value 2019**
Nilörn AB	TSEK	100	1,000	100	6,400	3,150
Nilörn Denmark A/S	TDKK	1,800	3,600	100	12,381	8,541
Nilorn Belgium N.V.	TEUR	1,583	17,403	100	6,975	6,975
Nilorn Germany GmbH	TEUR	540	-	100	20,155	20,155
Nilorn UK Ltd	TGBP	2,176	2,176,000	100	30,200	30,200
Nilorn East Asia Ltd	THKD	-	2	100	-	-
Nilorn Etiket Sa. Ve Tic. Ltd Sti.	TTRY	10	-	100	5,835	5,835
Nilorn India Pvt Ltd	TINR	8,000	10,000	100	1,156	1,156
Nilorn Pakistan Ltd	TPKR	1,000	2,468	100	0	0
Nilörn Bangladesh	BDT	3,400	3,400,000	100	4,904	4,904
Nilörn Branding AB	TSEK	1	900,000	100	0	16,399
Nilorn Distribution Center Gmbh	TEUR	1	25,000	100	21,144	21,144
Nilörn Property Development AB	TSEK	100	100,000	100	1,989	1,989
Nilorn Property Development UK	TGBP					
					111,139	120,448

	Parent Company 2020	2019
Carrying value at the beginning of the year	120,448	119,282
Shareholder contribution	7,090	1,166
Liquidation	–16,399	-
Carrying value at year-end	**111,139**	**120,448**

SUBSIDIARIES' SHARES IN SUBSIDIARIES

Company	**Nominal value**	**Number**	**Capital stake**	**Carrying value 2020**	**Carrying value 2019**
Nilorn UK Ltd	**TEUR**			**TGBP**	**TGBP**
Nilorn Portugal Indústria de Etiquetas Lda, Portugal	50	-	100	400	400
Lee & Ferreira Lda, Portugal	2	-	100	24	24
				424	**424**
Nilorn East Asia Ltd	**TCNY**			**THKD**	**THKD**
Nilorn Shanghai	1,336	-	100	1,749	1,749
				1,749	**1,749**

12) Shares in associated companies

	Group	
	2020	2019
Opening value	530	493
Impairment of shares in associated companies	–530	-
Effect of exchange rate fluctuations		37
Carrying value at year-end	**0**	**530**

Company	**Domicile**	**Share**	**Carrying value**	**Proportion of equity**
Calmon Abacus Textiles Private Ltd	India	49	0	1,006
			0	**1,006**

The value of the shares in Calmon Abacus Textiles Private Ltd have been written down.

13) Long-term receivables

	Group	
	2020	2019
Opening balance	3,334	2,974
New lending	105	110
Financial leases	–79	259
Repayments	–96	–140
Effect of exchange rate changes	–351	131
Closing balance	**2,913**	**3,334**

Of the long-term receivables as of 31 December 2019 TSEK 2 ,637 refers to deposits (2,975).

14) Due from Group companies

LONG-TERM RECEIVABLES

	Parent Company	
	2020	2019
Opening balance	6,428	4,748
New lending	0	1,603
Repayments	–93	-
Effect of exchange rate changes	–241	77
Closing balance	**6,094**	**6,428**

15) Inventories

	Group	
	2020	2019
Raw materials and supplies	11,176	11,041
Work in progress	348	210
Finished products and goods for resale	95,124	107,756
Total inventories	**106,648**	**119,007**

Reserve attributable to inventories amounts to TSEK 16,327 (11,446).

	Group	
Change in obsolescence reserve	2020	2019
At beginning of year	11,446	10,275
Reserves added during the year	6,691	4,187
Utilised reserves	–1,810	–3,016
Carrying value at year-end	**16,327**	**11,446**

16) Trade receivables

The provision of trade receivables is made after individual assessment. In accordance with IFRS 9. As of 31 December 2020 the carrying value of the reserve for doubtful accounts receivable amounted to TSEK 7,410 (5,308). The carrying value of the reserve has evolved as follows:

RESERVE FOR DOUBTFUL ACCOUNTS RECEIVABLE

	Group	
	2020	2019
Opening balance	5,308	7,982
Reserves added during the year	2,779	–735
Utilised reserves	–469	–1,678
Reversed unutilised reserves	0	–442
Effect of exchange rate fluctuations	–208	181
Carrying value at year-end	**7,410**	**5,308**

THE AGE DISTRIBUTION OF THE NET WORTH OF TRADE RECEIVABLES IS DISTRIBUTED S FOLLOWS:

	Group		Parent Company	
	2020	2019	2020	2019
Receivables not past due	39,860	29,386	45	117
Receivables past-due <30 days	17,685	15,676		57
Receivables past-due 30-60 days	8,096	9,247	-	-
Receivables past-due 60-90 days	3,908	4,043	-	-
Receivables past-due 90-120 days	244	479	-	-
Receivables due in >120 days	2,219	551	-	-
Net total value of trade receivables	**72,012**	**59,382**	**45**	**174**

OTHER SHORT-TERM RECEIVABLES

As of 31 December 2020, the booked reserve for doubtful other receivables amounted to TSEK 0 (0).

17) Prepaid expenses and accrued revenue

	Group		Parent Company	
	2020	2019	2020	2019
Prepaid rents	218	356	-	50
Prepaid insurance	902	954	94	12
Prepaid license fees	484	682	383	615
Prepaid advertising and trade show expenses	197	251	-	-
Prepaid property taxes	-	88	-	-
Prepaid cost of goods	-	37		-
Prepaid consulting fees	132	123	-	-
Other prepaid expenses	1,207	1,753	204	247
Accrued income	2,616	2,970	158	128
Total prepaid costs and accrued revenue	**5,756**	**7,214**	**839**	**1,052**

18) Interest-bearing liabilities

GROUP

Total approved credit facilities as of 31 December 2020 amounts to MSEK 121 (of which MSEK 41.4 was utilised. For more information about Nilorn's exposure to interest rate risk and risk for exchange rate changes reference is made to Note 2.

PARENT COMPANY

Total approved bank credit facility as of 31 December 2020 in the Parent Company amounts to MSEK 60,0 (whereof utilised MSEK 0.0).

19) Long-term provisions

	Group	
	2020	2019
Defined benefit pension plans	338	755
Other long-term commission provisions	-	-
Total provisions	**338**	**755**

DEFINED BENEFIT PENSION PLANS

	Group	
	2020	2019
At beginning of year	755	528
Benefits earned during the year	262	0
Benefits paid	–501	0
Effect of exchange rate changes	–178	227
Carrying value of provision for pensions at year-end	**338**	**755**

20) Accrued expenses and prepaid income

	Group		Parent Company	
	2020	2019	2020	2019
Accrued salary and holiday pay liabilities	11,239	10,807	3,283	2,339
Accrued social benefits	4,118	3,573	1,998	1,530
Accrued audit expenses	0	183	-	-
Accrued commission expenses	1,300	1,256	290	290
Accrued commission costs	6,728	8,446	-	-
Accrued freight costs	647	686	-	-
Accrued cost of goods	5,233	4,079	-	-
Other	9,517	7,082	659	699
Total accrued expenses and prepaid income	**38,782**	**36,112**	**6,230**	**4,858**

21) Pledged assets

	Group		Parent Company	
	2020	2019	2020	2019
For liabilities to credit institutions				
Shares in Group companies	-	-	6,400	3,150
Corporate mortgages and similar	6,000	6,000	-	-
Total pledged assets	**6,000**	**6,000**	**6,400**	**3,150**

The Parent Company has additional non-active guarantee commitments for group companies.

22) Contingent liabilities

	Group		Parent Company	
	2020	2019	2020	2019
Guarantees for subsidiaries	-	-	14,809	15,229
Other contingent liabilities	0	0	-	-
Total contingent liabilities	**0**	**0**	**14,809**	**15,229**

23) Untaxed reserves

	Parent Company	
	2020	2019
Supplementary depreciation	7,400	4,600
Accrual reserve, fiscal year 2014	0	650
Accrual reserve, fiscal year 2015	236	236
Accrual reserve, fiscal year 2018	900	900
Accrual reserve, fiscal year 2019	1,400	1,400
Total untaxed reserve	**9,936**	**7,786**

Deferred tax in untaxed reserves is estimated at 21.4 percent and amounts to SEK 2,146 thousand (1713), which is not recognized in the balance sheet.

24) Year-end appropriations

	Parent Company	
	2020	2019
Supplementary depreciation	–2,800	–2,400
Reversal of accrual reserve	650	200
Allocation to accrual reserve	0	–1,400
Group contributions received	4,135	11,166
Group contributions rendered	–92	–240
Total year-end appropriations	**1,893**	**7,326**

25) Leasing

NILÖRNGRUPPEN AS LESSEE

Operating leases

The Group's cost for rental agreements and leasing commitments of an operating character for 2020 amounted to TSEK 19,702 (19,963). The Group's future rental payments amounted to TSK 80,750. The Parent Company's rental cost during 2020 amounted to TSEK 1,024 (1,002) and the future rental payments amounted to TSEK 697. The future payments under operating leases are distributed as follows:

	Group	Parent Company
2021	16,520	316
2022	15,309	218
2023	14,589	143
2024	12,348	20
2025	11,563	-
2026	10,421	0
Total future payments from operating leases	**80,750**	**697**

INFORMATION ABOUT IFRS 16 LEASES

IFRS 16 Leases came into force on 1 January 2019. The new standard removes the distinction between financial and operating leases, as stipulated in IAS 17, and instead introduces a common model for recognising all leasing. With this model the lessee reports (a) assets and liabilities for all leases with a rental period longer than 12 months, except for assets of low value, and (b) depreciation of leased assets separately from the interest cost of leasing in the income statement. In the transition to IFRS 16 on 1 January 2019 Nilorn has used a modified retroactive method, which means that the financial reports for 2018 are not re-calculated. The lease liability is the present value of all future fees until the leases have expired. The simplification rule that the right-of-use asset (before adjustment for any advance payments) shell be equivalent to the lease liability, has been applied in the transition. The discount interest rate is the marginal loan rate in each respective country at the time of the lease, with due consideration taken to the tenor of the lease. The weighted average rate is 3,73%.

The simplification rule for defining a lease has been applied, which means that all components of a lease are considered to be a lease component. The exceptions of not reporting short-term leases and assets of low value has also been applied. Managements judgments and assumptions are required to determine extension options for the right of use and the present value of the lease liability. Such judgments and assumptions include identifying a lease, to determine the leasing period and to identify the discount interest rate. Most of the lease value relates to rental agreements for office and warehouse properties. On average, these agreements run for 1-2 years, but the Group has made the assessment that the companies usually occupy the premises for an average of five years and has therefore used that period as leasing period. Any extension options have thus not taken into account in any other way.

The Group's leases refer only to right-of-use assets relating to real estate and the year's depreciation amounts to TSEK 14,041 (15,178). The year's interest expense on loan liabilities amounts to TSEK 1,333 (1,849). Leases added during the year amount to TSEK 3,056 (3,480). The yeaar's closing balance amounts to TSEK 38,250 (56,491).

The year's cost for short-term leasing/assets with low value amounts to TSEK 3,756 (3,646) and the year's cash flow relating to lease payments amounts to TSEK 14,946 (16,316).

RENTAL AGREEMENTS

	31/12/2020	31/12/2019
Opening cost	71,669	66,761
Investments during the year	3,056	3,480
Effect of exchange rate changes	–8,616	1,429
Closing cost	**66,109**	**71,669**
Opening accumulated depreciation according to plan	15,178	0
Depreciation according to plan during the year	14,040	15,178
Effect of foreign exchange rate changes	–1,359	
Closing accumulated depreciation and impairment charges	**27,859**	**15,178**
Carrying value at year-end	**38,250**	**56,491**

MATURITY ANALYSIS

MSEK	Year 1	Year 2–5	Later than 5 years
Lease liabilities	13,371	24,618	-
Classified as			
Long-term liabilities		24,618	-
Current liabilities	13,371		

26) Interest income and similar items

	Group		Parent Company	
	2020	2019	2020	2019
Internal interest income	-	-	2,180	1,594
External interest income	606	734		
Total interest income and similar items	**606**	**734**	**2,180**	**1,594**

27) Interest expense and similar items

	Group		Parent Company	
	2020	2019	2020	2019
Internal interest income	-	-	782	1,554
External interest expense	2,812	3,108	147	460
Exchange rate loss on long-term liabilities	969	407	793	194
Other	523	310	-	-
Total interest expense and similar items	**4,304**	**3,825**	**1,722**	**2,208**

28) Audit fees

FEES AND COST REIMBURSEMENT

	Group		Parent Company	
	2020	2019	2020	2019
KPMG				
Audit assignments	877	855	267	418
Tax advice				
Other assignments		40		
Other auditors				
Audit assignments	491	490		
Tax advice	29	95		
Other assignments	32	264	-	-
Total audit fees and cost reimbursement	**1,428**	**1,744**	**267**	**418**

By audit assignment is meant review of the annual accounts and accounting procedures and the management by the Board of Directors and the President, other duties incumbent upon auditors to perform and advice or other assistance prompted by observations in the course of such review, or the performance of such other tasks. Everything else is other assignments.

29) Result from shares in Group companies

	Parent Company	
	2020	2019
Dividend	55,225	100,492
Result from sale of shares	–16,169	-
Total result from shares in group companies	**39,056**	**100,492**

30) Derivative instruments

The Group is exposed to changes in foreign exchange rates since a portion of purchases are made in foreign currency.

Aside from the transaction exposure described above, the Group is affected by foreign exchange rates fluctuations due to the receivables and liabilities in foreign currencies that arise on an ongoing basis. These are covered largely by forward hedging.

The table below shows the Group's foreign exchange forward contracts outstanding as of 31 December 2020. All contracts are in officially traded currencies and the contracts are extended for an average period of three months. Contracts outstanding as of year-end all mature on 17 March 2021. The Group has no other derivative instruments. Outstanding forward contract are carried at market value on the balance sheet date in accordance with IAS 9 Financial instruments. Accounting and valuation at level 2 has been used in accordance with IFRS 7.27. The exchange rate gain and loss, respectively, arising upon valuation of the contracts amounted to TSEK 1,196 (27) and TSEK 181 (95), respectively, as of 31 December 2020. The forward contracts were valued at fair value based on the exchange rate prevailing on the balance sheet date and the forward rate for each respective contract.

Only the derivatives listed below are carried at fair value.

OUTSTANDING FORWARD EXCHANGE CONTRACTS

Currency	Hedged volume in TSEK	Rate on balance sheet date	Countervalue in SEK	Maturity date
HKD	–20,000	1.0563	–21,126	17/03/2021
EUR	–2,305	10.0375	–23,136	17/03/2021
GBP	71	11.0873	787	17/03/2021
DKK	2,434	1.3492	3,284	17/03/2021
TRY	150	1.1192	168	17/03/2021
Countervalue SEK	–40,983	1.0000	–39,968	

Unrealised exchange rate gain amounts to TSEK 1,015 as of the balance sheet date.

31) Maturity dates for the Group's financial liabilities

2020	MSEK	0–3 months	4–12 months	1–2 years	Total contracted cash flow
	Bank loans and checking account overdraft facilities		28.2		28.2
	Trade payables	62.9			62.9
	Foreign exchange forward contracts, inflow	41.0			41.0
	Foreign exchange forward contracts, outflow	41.0			41.0

2019	MSEK	0–3 months	4–12 months	1–2 years	Total contracted cash flow
	Bank loans and checking account overdraft facilities		74.1		74.1
	Trade payables	54.3			54.3
	Foreign exchange forward contracts, inflow	14.5			14.5
	Foreign exchange forward contracts, outflow	14.5			14.5

32) Transactions with closely related parties

During the year Nilörngruppen has sold services for TSEK 75 (108) to the principal owner, AB Traction and subsidiaries. No transactions between Nilörngruppen and closely related parties that have significantly affected the Group's profit or financial position have occurred during the period. The Parent Company's transactions with subsidiaries refer to design, product development, IT and other services.

For information about salaries and fees to management and Board of Directors, refer to Note 7.

33) Appropriation of company profit

The Board of Directors proposes that unrestricted equity, TKR 181,537 be allocated as follows:

Dividend 11 401 988 shares * SEK 2.00 per share	22,804
To be carried forward	158,733
Total	**181,537**

34) Shares in the Parent Company

There are 960,000 class A shares with a quotient value of SEK 0.25 and 10,441,988 class B shares with a quotient value of SEK 0.25 in Nilörngruppen AB.

The voting value is ten votes per class A share and one vote per class B share.

35) Events after the balance sheet date

Nilorn Group and its customers are greatly affected by the coronavirus. The effects of COVID-19 have been and are difficult to predict and most of Nilorn's companies have seen a clear decline caused by the current unrest. Events are closely monitored and we adapt operations in our markets as the situation develops.

At the time of the annual report's release, it is very difficult to estimate how the impact will be longer-term. There continues to be significant uncertainty in the re-enlistment. We closely monitor developments and continuously take action to limit the negative effects on the company. The measures taken are to adapt costs to the lower volumes and to minimise the risks in inventories and accounts receivable, which from the point of view of capital tied up are the significantly greatest risks for Nilorn. At the same time, we are working with some structural measures in the market, sustainability, RIS and purchasing to be prepared to take the next step.

Definition of alternative key financial indicators

Guidelines for alternative key financial indicators for companies with securities listed on a regulated market in EU have been issued by ESMA (The European Securities and Markets Authority). These guidelines are to be applied to alternative key financial indicators used starting 3 October 2016. Reference is made in the annual report to a number of non-IFRS performance measures used to help investors as well as management to analyse the Company's business. Since not all companies calculate financial measurements in the same way, they are not always comparable to measurements used by other companies. These financial measurements should therefore not be regarded as replacements for measurements defined by IFRS. We describe below the various non-IFRS performance measures used as a complement to the financial information reported in accordance with IFRS and how these measurements are used.

Definitions of key financial indicators – metrics not defined according to IFRS

Non- IFRS measure	Definition	Reason
Average equity	Equity at the beginning of the year, plus equity at year-end, divided two.	This metric is the difference between the Group's assets and liabilities, which is equivalent to consolidated equity contributed by owners, and the Group's accrued profits. The metric is used to report the capital attributable to the Group's owners.
Average capital employed	Capital employed at the beginning of the year, plus capital employed at the end of the year, divided by two.	Capital employed indicates how much capital is needed to conduct the business irrespective of form of financing (borrowed capital or equity). It is calculated as an average in order to provide a fair picture over the period.
Average number of employees	Average number of yearly employees.	This metric is used to measure how the Group's work force develops.
Revenue growth	Net revenue at the end of the year, less net revenue at the beginning of the year, divided by net revenue at the beginning of the year.	This metric is used to measure how the company's revenue develops over time.
Return on equity	Profit for the year according to the income statement, in percent of average equity.	This metric is used to analyse profitability over time, given the resources attributable to the Parent Company's owners.
Return on capital employed	Profit before taxes, plus financial expenses, in percent of average capital employed.	Return on capital employed is a profitability metric used to put the profit in relation to the capital needed to conduct the business.
Interest-bearing net cash and cash equivalents/liability	Interest-bearing receivables, and cash and cash equivalents, reduced by interest-bearing liabilities.	This metric is used to show the total debt financing and is used as a complement to assess the possibility for a dividend, to make strategic investments and to judge the Group's ability to live up to its financial commitments.
Operating margin	Operating profit in percent of net revenue.	This metric is used to measure operative profitability.
Equity ratio	Equity in percent of balance sheet total.	This metric shows how large a proportion of the company's total assets are financed by the shareholders with equity. A high equity ratio is a measure of financial strength.
Capital employed	Balance sheet total, less non-interest-bearing liabilities, including deferred tax liabilities.	Capital employed indicates how much capital is needed to conduct the business irrespective of form of financing (borrowed capital or equity).
Profit margin	Profit before taxes in percent of net revenue.	This metric makes it possible to compare profitability regardless of corporate tax rate.

CLARIFICATION OF SIGNS USED IN THE TABLE:

–	=	Minus
No sign before	=	Plus
/	=	Divided by
______________	=	Result line

Calculated as below:

Revenue growth

	Group	
	2020 12 months Jan-Dec	**2019 12 months Jan-Dec**
Net revenue for the period (MSEK)	618.2	715.4
Net revenue for the previous period (MSEK)	715.4	712
Net revenue for the previous period (MSEK)	/715.4	/712
Revenue growth (%)	**–13.6**	**0.5**

Operating margin

	Group	
	2020 12 months Jan-Dec	**2019 12 months Jan-Dec**
Operating profit (MSEK)	50.8	66.2
Net revenue (MSEK)	/618.2	/715.4
Operating margin (%)	**8.2**	**9.3**

Profit margin

	Group	
	2020 12 months Jan-Dec	**2019 12 months Jan-Dec**
Profit before taxes (MSEK)	47.1	63.1
Net revenue (MSEK)	/618.2	/715.4
Profit margin (%)	**7.6**	**8.8**

Capital employed

	Group	
	2020 12 months Jan-Dec	**2019 12 months Jan-Dec**
Balance sheet total (MSEK)	422.3	412.4
Long-term provisions	–0.3	–0.8
Other long-term non interest-bearing liabilities	–0.1	-
Trade payables	–62.9	–54.3
Current taxes	–9.5	–5.9
Other non interest-bearing liabilities	–17.2	–4.0
Accrued expenses and prepaid income	–38.8	–36.1
Deferred taxes	–4.3	–2.3
Capital employed (MSEK)	**289.2**	**309.4**

Average capital employed

	Group	
	2020 12 months Jan-Dec	**2019 12 months Jan-Dec**
Capital employed at the beginning of the period (MSEK)	309.4	221.2
Capital employed at the end of the period (MSEK)	289.2	309.4
	/2	/2
Average capital employed (MSEK)	**299.3**	**265.3**

Return on capital employed

	Group	
	2020 12 months Jan-Dec	**2019 12 months Jan-Dec**
Profit before taxes (MSEK)	47.1	63.1
Financial costs (MSEK)	4.3	3.8
Average capital employed (MSEK)	/299.3	/265.3
Return on capital employed (%)	**17.2**	**25.2**

Average equity	Group	
	2020 12 months Jan-Dec	2019 12 months Jan-Dec
Equity at the beginning of the period (MSEK)	186.7	180.8
Equity at the end of the period (MSEK)	209.8	186.7
	/2	/2
Average equity (MSEK)	**198.3**	**183.8**

Return on equity	Group	
	2020 12 months Jan-Dec	2019 12 months Jan-Dec
Profit of the period (MSEK)	33.5	47.2
Average equity (MSEK)	/198.3	/183.8
Return on equity (%)	**16.9**	**25.7**

Equity ratio	Group	
	2020 12 months Jan-Dec	2019 12 months Jan-Dec
Equity (MSEK)	209.8	186.7
Total assets (MSEK)	/422.3	/412
Equity ratio (%)	**49.7**	**45.3**

Interest-bearing net cash/debt	Group	
	2020 12 months Jan-Dec	2019 12 months Jan-Dec
Cash and cash equivalents (MSEK)	66.3	32.3
Short term interest-bearing liabilities (MSEK)	–28.2	–74.0
Interest-bearing net cash/debt (MSEK)	**38.1**	**–41.7**

Earnings per share	Group	
	2020 12 months Jan-Dec	2019 12 months Jan-Dec
Equity (MSEK)	209.8	186.7
Number of shares outstanding	/11.402	/11.402
Equity per share	**18.4**	**16.4**

Affirmation by the Board of Directors and the CEO

The undersigned affirms that the annual accounts and the consolidated financial statements have been compiled in accordance with International Financial Reporting Standards (IFRS), as adopted by EU, and generally accepted accounting principles, and provide a true picture of the group's and the company's financial position and results, and that the consolidated administration report and the administration report provide a true picture of the Group's and the company's business, financial position and results, and describes significant risks and uncertainty factors facing the companies included in the group.

Borås, 22 April 2021

Petter Stillström
Chairman of the Board Directors

Vilhelm Schottenius
Director

Johan Larsson
Director

Blenda Lagerkvist
Director

Krister Magnusson
CEO

Our audit report concerning this annual report and consolidated financial statements was submitted on 23 April 2021.

KPMG AB

Mathias Arvidsson
Authorised Public Accountant

Petter Stillström
Chairman

Vilhelm Schottenius
Director

Johan Larsson
Director

Blenda Lagerkvist
Director

Board of Directors

Petter Stillström
born 1972
Chairman since 2009
Master of Economics
CEO, AB Traction.
Director of Nilörngruppen since 2007.
Director of OEM International (Chairman), Softronic (Chairman), BE Group AB, Hifab Group and AB Traction.
Shareholding: Major shareholder in AB Traction who through subsidiaries owns some 960,000 class A shares and 2,040,000 class B shares

Vilhelm Schottenius
born 1956
Director
B.Sc. Economics
Works with business development and director's work in own and external companies.
Director of Nilörngruppen since 2009.
Director of, among other, Schottenius & Partners AB, Interactive Security AB, Vertiseit AB, RCL Holding, Saddler Scandinavia, Handelsbanken Västra Sverige, Partner Fondkommission AB and Golfstore Group.
Shareholding: 10,000

Johan Larsson
born 1970
Director
B.Sc. Economics
CEO of Mackmyra Svensk Whisky AB
Director of Nilörngruppen since 2018.
Director of As good as new AB, Gram International AB.
Shareholding: 1,500

Blenda Lagerkvist
born 1976
Director
Manages Head of Talent and Strategic at Verdane. Director of Nilörngruppen since 2018.
Shareholding: 830

Krister Magnusson
CEO

Andrew Hoppe
Asia Manager

Management

Krister Magnusson
born 1966
CEO
B.Sc. Economics
Krister Magnusson was employed by Nilörngruppen in 2008 having previously held the CFO at New Wave Group.
Share holding: 85,000

Andrew Hoppe
born 1963
Asia Manager
Andrew Hoppe was employed by Nilorn UK Ltd (previously H.H Calmon) in 1996 and since 2000 is CEO of Nilorn East Asia Ltd and Asia Manager.
Shareholding: -

Auditors

KPMG
Chief auditor:

Mathias Arvidsson
born 1975
Authorised Public Accountant, Partner.
Auditor of Nilörngruppen since 2019.
Mathias' other assignments include MQ, Christian Berner, Nelly NLY and IKEA of Sweden.

Auditor's Report

To the general meeting of the shareholders of Nilörngruppen AB, corp. id 556322-3782

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Nilörngruppen AB for the year 2020, except for the corporate governance statement on pages 24-26. The annual accounts and consolidated accounts of the company are included on pages 20-59 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 2020 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 2020 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 cover the corporate governance statement on pages 24-26. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and balance sheet for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of directors 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 Responsibilities 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.

Revenue Recognition

See accounting principles on page 36 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The Group net sales as of December 31, 2020 amounted to SEK 618,2 million. The Group reports revenue from the sale of goods when risks and benefits associated with ownership are transferred to the customer and when the selling price is agreed or when there is an opportunity to estimate the price and payment can be expected. The value of the transaction is affected by discounts and exchange rate differentials which increases the complexity.

Response in the audit

We have assessed the design of the company's controls regarding revenue recognition of sales of products and how these controls have been implemented.

- On a sample basis, we have examined sales transactions reported before and after the yearend in order to assess whether correct terms have been applied to the contracts and that risks and benefits have been transferred to the customers.

- We have obtained evidence such as freight documentation and payment of receivables for deliveries to assess whether revenue is recognized in the correct period.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-19, 56-58, 60 and 64-65. 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 has no realistic alternative but to do so.

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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

– Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL 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 Nilörngruppen AB for the year 2020 and the proposed appropriations of the company's profit or loss. We recommend to the 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 Responsibilities 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 fulfill 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 24-26 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 RevR 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.

KPMG AB, Box 11908, 404 39 , Göteborg, was appointed auditor of Nilörngruppen AB by the general meeting of the shareholders on the 14 May 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2013.

Göteborg 23 April 2021

KPMG AB

Mathias Arvidsson
Authorized Public Accountant

Annual General Meeting

The Annual General Meeting will be held on Monday 10 May 2021

In light of the risk of spreading Covid-19 and the authorities' regulations/advice on avoiding gatherings, the Board of Directors has decided that the general meeting shall be held without a physical presence, by shareholders exercising their voting rights only by postal vote. No meeting with the possibility to attend in person or through a representative will take place; so it will be a meeting without physical participation. Information about the resolutions adopted by the General Meeting will be published on 10 May 2021 as soon as the outcome of the postal vote is finally compiled.

The Company's CEO will comment on the company's position and results as well as current issues in the report for the first quarter that will be available on the company's website www.nilorn.se, no later than April 29, 2021.

NOTIFICATION
Shareholders who wish to participate in the Annual General Meeting must be registered in the share register maintained by Euroclear Sweden AB on Friday, April 30, 2021, and must register with the company no later than Friday, May 7, 2021 by casting their postal vote so that the postal vote is delivered to Nilorn no later than 7 May 2021. For postal voting, a special form shall be used. The form is available on www.nilorn.se. The postal voting form is valid as registration.

If the shareholder votes by proxy, the proxy shall be attached to the form. If the shareholder is a legal entity, the registration certificate or other authorization document shall be attached to the form. If the power of attorney has been issued by a legal entity, a certified copy of the registration certificate of the legal entity must be attached. Shareholders whose shares are registered in the name of a nominee must temporarily have the shares re-registered in their own name in order to be entitled to participate in the meeting. Such registration shall be effected with Euroclear Sweden AB on Friday, April 30, 2021. This means that the shareholder must inform the nominee well in advance of that date.

DIVIDEND
The Board of Directors has resolved to propose to the Annual General Meeting a dividend of SEK 2.00 (0.00) per share, corresponding to SEK 22.8 (0) million sustainability, RIS and purchases in order to be prepared to take the next step.

The companies in Nilorn

Parent Company

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Subsidiaries & Partners

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