



Annual Report 2023

# Nilörngruppen AB

NILÖRN

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## Nilörn in brief

Nilörn 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. Nilörn aims to augment customer competitiveness by offering services covering all design resources, plus a logistics system that guarantees reliable and prompt deliveries.

Nilörn is one of Europe's leading players with sales of MSEK 870 and deliveries of more than 1.5 billion labels per year, of different sizes and types.

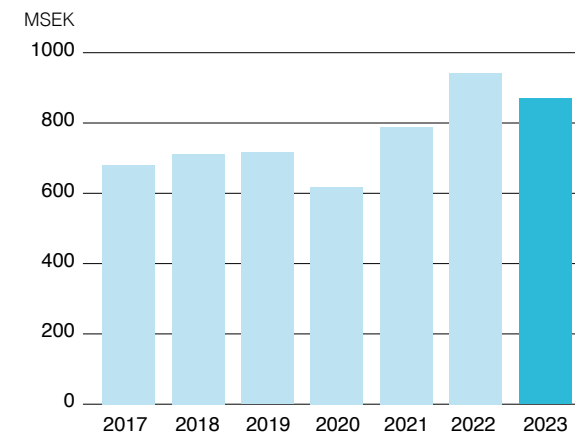
Nilörn has operations in Sweden, Denmark, Norway, Finland, United Kingdom, Italy, Germany, Belgium, France, Portugal, Spain, Austria, Hong Kong, China, Bangladesh, Pakistan, India, Turkey, Vietnam and USA.

With our Mission - 'To guide our clients in the world of labelling' - our focus is on always delivering maximum customer satisfaction through every aspect of our operation, from design and product development to manufacturing, sales, logistics, sustainability and service.

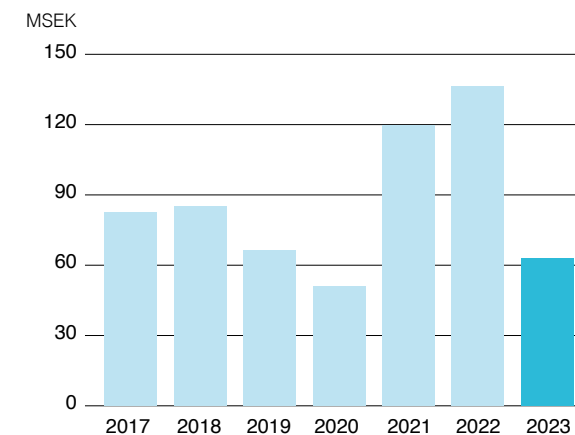
# Year 2023 in brief

- Order bookings increased by 16 percent to 828 (983) MSEK
- Consolidated sales in SEK increased by 8 percent to 870 (943) MSEK
- Operating profit amounted to 63,0 (136,4) MSEK
- Profit for the year amounted to 39,4 (101,0) MSEK
- Earnings per share amounted to 3,45 (8,86) SEK
- Cash flow from operating activities amounted to 89,1 (44,6) MSEK
- Net cash excluding IFRS16 amounted to 17 (39) MSEK
- The Board of Directors proposes to the Board a dividend of 1,00 (5,00) kronor per share, corresponding to 11,4 (57,0) MSEK

## Net revenue



## Operating profit



Nilöرن in numbers	2023	2022	2021	2020	2019
Net sales, MSEK	869,8	942,8	788,3	618,2	715,4
Operating profit, MSEK	63,0	136,4	119,5	50,8	66,2
Profit for the period, MSEK	39,4	101,0	87,4	33,5	47,2
Earnings per share, SEK	3,5	8,9	7,7	2,9	4,1
Return on capital employed, %	15,6	35,0	37,4	17,2	25,2
Return on equity, %	12,5	33,0	35,8	16,9	25,7
Equity ratio, %	51,0	54,3	50,0	49,7	45,3
Average number of employees	593	587	553	499	494

# Dear shareholders, customers, and employees

After a weak start to the year, it's gratifying to see that underlying organic growth returned towards the end of the year. Our customers in the luxury segment have shown strong development, while those in the sport/outdoor segment have struggled, primarily due to excessively large finished goods inventories. However, we expect a normalization within this segment during 2024. Nilörn primarily serves customers in the Sport/Outdoor sector in Scandinavia, the UK, and Germany, while Southern Europe focuses more on retail and luxury brands

For our distribution units, the trend of volumes shifting from China/Hong Kong to Europe and other countries in Asia continues, positively impacting our operations in Bangladesh, Pakistan, and Portugal. However, Turkey has experienced weaker development due to high inflation affecting customers' choice of production country.

Cash flow from operations has been strong, largely due to reduced inventory levels. Our ambition to reduce inventory by 50 million SEK during the year is almost fulfilled.

I am proud of our achievements, where despite challenging conditions, we continue to strengthen our offering and be a reliable supplier. Nilörn has developed digital products and systems to increase efficiency and sees sustainability as a driving force. Through our in-house developed platform, Nilörn:CONNECT, each garment receives a unique identity that is traceable, allowing brands to communicate with end consumers and enhance traceability and transparency. Nilörn focuses on being a leading sustainability actor, guiding its customers to choose a more sustainable label and packaging setup. While the physical product remains crucial, the added value largely lies in simplifying and clarifying within the aforementioned areas. This also applies to directives, laws, and regulations. Our task is to be a stable partner contributing specialist expertise.

## Future

An unsettled world affects general consumption, yet most of our customers in the outdoor segment are more optimistic about 2024.

For continued expansion in countries with strong growth, such as Bangladesh, Vietnam, and Portugal, we will invest in expanded production capacity. We will also intensify efforts on Nilörn:CONNECT, strengthening our digital presence and enhancing the customer experience. The goal is to implement these offensive initiatives with a continued strong balance sheet, which the Board has also considered in relation to the proposed dividend.

Investments in digital products and guiding customers on sustainability and compliance continue. There are challenges, but also significant opportunities where we can assist our customers with the changes resulting from increased EU legislation linked to the Green Deal. Nilörn's concept, Nilörn:CONNECT, offers customers various solutions to support them on the path to a Digital Product Passport. Nilörn has entered into strategic cooperation agreements with Worldfavor, which will further strengthen the Nilörn:CONNECT solution and position us even more strongly in sustainability.

I am convinced that Nilörn is on the right track. The changes and improvement measures being implemented make Nilörn stronger and help us continue to create positive trends.

Borås, 2024.03.27



Krister Magnusson  
CEO Nilörngruppen AB

"Our task is to be a trustworthy partners  
who can contribute knowledge  
in areas that today demand more  
and more specialist competence"



# Business concept, goals and strategy

## Vision

**"We believe in adding value to our clients"**

## Business concept

Nilörn'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 and our digital platform Nilörn:CONNECT). Nilörn's business concept is summarized in 'Adding value to your brand'.

## Goal

Nilörn'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 focused on profitable growth based on a strong offering in branding and design, sustainability, technical innovation and digital solutions. Our task is to be a reliable partner who contributes specialist expertise so that customers can choose the best solution.

The strategy is to increase the value content of the products, establish an even closer collaboration with key customers, utilize common resources and optimize the manufacturing structure with respect to own manufacturing and collaboration with partner companies. The strategy means that Nilörn aims to take a clear position as a global leading player with a range of products and services that offer added value for customers.

Nilörn has a decentralized sales organization, but with centrally supporting functions. The goal is for us to be and be perceived as flexible and agile while at the same time having structure and efficiency.

## Values

In a decentralized organization with a large measure of freedom under responsibility, the Group's values are important and act as a guideline. We have developed an efficient decentralized organization with a clear mandate and quick decision-making. It gives the individual employee the opportunity to act themselves, which our customers experience through fast service. A lot of work is being done to spread Nilörn's values and get a feeling of "we" within the Group.

Our key values are:

**Innovation** (we must be proactive)

**Respect** (we operate in many countries, cultures and religions and must show respect for each other, our customers and suppliers)

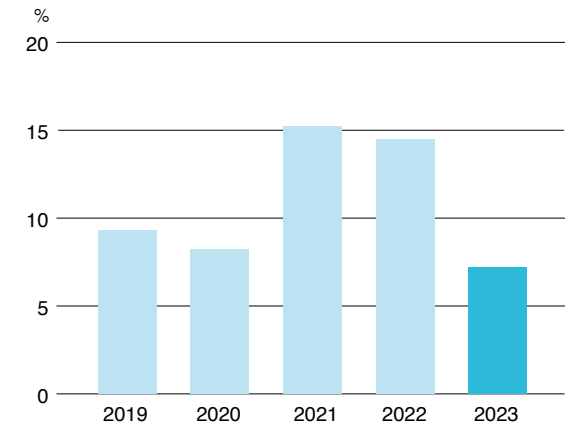
**Responsibility** (in a decentralized organization everyone must dare and be mandated to act and take responsibility)

## Growth and profitability goals

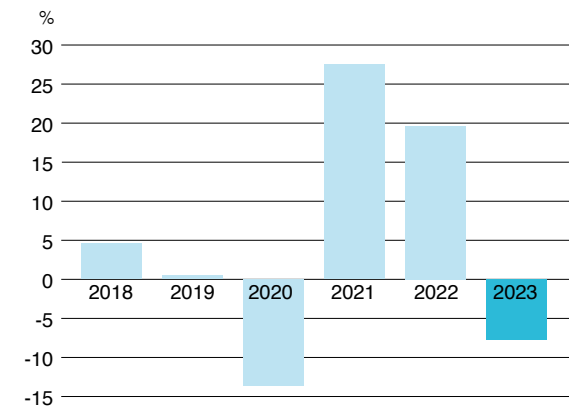
Nilörn strives for sustainable and profitable growth. The goal for growth is 7 percent per year with an operating margin exceeding 10 percent and net liabilities not exceeding two times profit before interest, taxes, depreciation and amortization (EBITDA).

Over the past five years annual growth has been 5 percent with an operating margin of 11 percent.

## Operating profit margin by year



## Growth in percent per year



# Nilörn – the small company’s flexibility with the big company’s synergies

## Own production – external sourcing

Historically, Nilörn 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 sales units in Europe, but the tradition and the technical knowledge remains. This is a great advantage in discussions with and advising our customers.

Nilörn 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, Vietnam, Turkey, Italy and others. The internal production accounts for 19 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. 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 having 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.

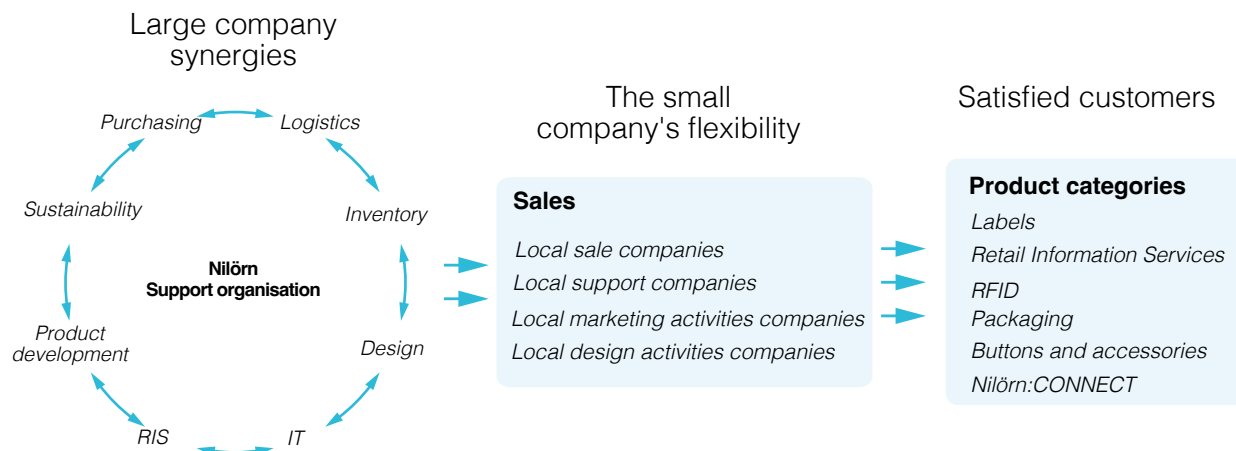
Limited own production gives Nilörn the flexibility to operate in the country where the customers want delivery rather than focusing on filling our own factories. This allows us to provide better service to our customers at the same time as it gives Nilörn increased flexibility to adapt costs to demand.

## Transformation to a profitable growth company

Since 2009 Nilörn 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. Nilörn has built and now has distribution units in Turkey, Hong Kong, China, Bangladesh, Vietnam, 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.

Nilörn 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 develop and implement sustainability strategies and increase knowledge together with our own organization, suppliers, and customers.
- 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.



Nilörn 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. Nilörn 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 organization where the staff thrives and the customers feel that they are at the centre. Act local, be global. For to take the next step in Nilörn's growth journey and take advantage of the economies of scale in recent years we have strengthened our CSR team, built a new purchasing organization, hired competence in compliance, started a new Material Team, developed digital products and continued to develop our IT systems. All these areas are closely linked and together they contribute to increased efficiency and that we will reach our sustainability goals.

Over the past 10 years the Group has:

- Increased sales by 90 percent.
- Had an average operating margin of 11,1 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 45-56 percent.

#### Distribution by product category

Nilörn's sales by product category is shown in the pie chart on the right side.

The product range of labels includes woven labels, printed textile labels, printed hanging labels and flossed labels. Labels is the largest product category with 49 percent of total sales. It is also the category which is most complex to produce and has the highest margins.

The RIS (Retail Information Service) accounts for 25 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). Nilörn has grown sharply in the latter area in recent

years and now has 12 persons working full-time on adapting Nilörn's systems to receive their files easily and makes it simple for the customer's suppliers to order via Nilörn's web solution. The production of RIS labels is local and 'to-order' from customers - and most often in-house by Nilörn 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. Nilörn is investing heavily in RFID and has several projects together with customers.

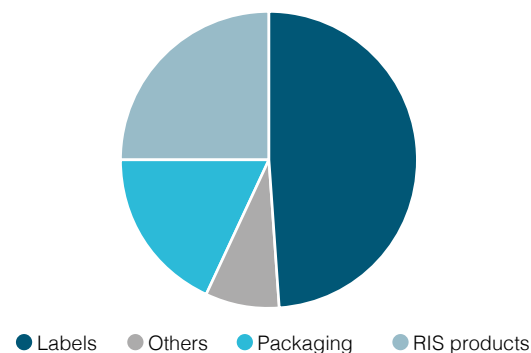
Packaging accounts for 18 percent of consolidated sales. This is an area with slightly lower margins, but with great potential, especially due to increased online sales, where packaging becomes an increasingly important feature for a positive customer experience.

#### Customers

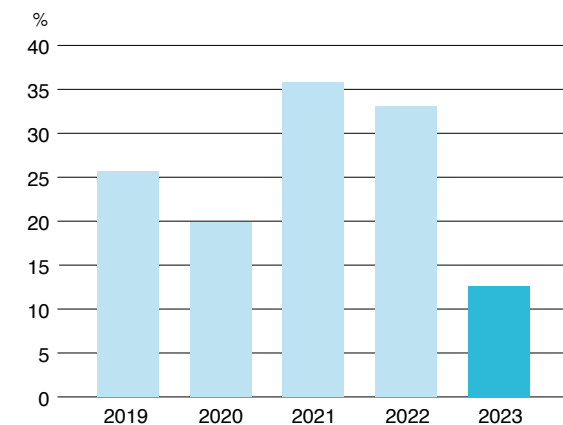
The selling companies meet customers all over Europe who are mainly brand owners. Most of the deliveries are to the suppliers of the brand owners, i.e. the factories that make the customers' garments. These factories are predominantly in Asia, but also in Europe in countries such as Turkey, Portugal, 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.

Nilörn has more than 1,000 customers, with the 10 largest accounting for approximately 34 percent of consolidated sales. The 20 largest account for 45 percent of the total.

#### Revenue by product category 2023



#### 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 colors, 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, Nilörn offers branding, design, product development along with providing professional logistics solutions.

## Customers with high demands

Nilörn 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. Nilörn mainly co-operates with customers who have high requirements for concept development that strengthen their brands. Through close cooperation with customers, Nilörn has an understanding of which factors contribute to differentiating and strengthening the most important asset of the customers, their brands. NFC chip, or a unique QR code allows the brand to communicate with the final consumer, thereby increasing traceability transparency. This is in line with the circular economy where we as a company want to contribute. This is an area where we will continue to invest in the coming years. With this as starting point, Nilörn develops concepts that help to distinguish and strengthen the most important asset of customer companies, their brands. This creates value for both Nilörn'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

Nilörn offers the widest range of services in branding and design of labels, packaging, and accessories on the market. The group provides brand consultation and design expertise with a focus on the fashion and garment industry, control over production with high quality, as well as IT and logistics solutions that enable customers to have control over the flow of their labels, packaging, and accessories. This means that Nilörn can guarantee just-in-time delivery worldwide.

## The brand becoming more important

Most of Nilörn's customers are in the fashion and garment industry, where branding reinforces the identity and image of the garment. Some even argue that the brand is the most important thing on the garment. To achieve success and sell well in stores, brands need a clear profile that stands out from the crowd. Branding and marketing are more important than ever - from advertising campaigns to branding and design concepts that adorn and profile the products in stores. This creates an opportunity to combine important information with value-enhancing profiling. This is where Nilörn stands out from competitors. Nilörn has specialist expertise in brand profiling on garments. This applies to both retail and e-commerce, where it is important for the customer to have a positive experience when unpacking the product. Nilörn's customers demand high quality, flexibility, extensive branding and design content, and advanced logistics solutions. To meet these demands, Nilörn focuses on a high level of service and on being the customer's best partner when it comes to branding and design concepts based on labels, packaging and accessories. Nilörn has extensive experience and knows what it takes to build, maintain, and further develop strong brands.

## Nilörn'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 which is Nilörn's main USP (Unique Selling Point)
- A flexible organisation with short decision path

## Close collaboration to hit the mark

Nilörn always strives to develop close partnerships with customers to develop unique branding and design concepts that contribute to differentiating and strengthening their most important asset - the brand. Customers should know that Nilörn always works to achieve the best possible solution for their needs. A collaboration always begins with listening to customers to identify and understand what they are striving for. Nilörn adds value for customers by clearly profiling the products in stores. Business relationships are long-term and built on close collaboration between Nilörn and the various departments of customer companies, including management, marketing, sales, design, and logistics departments. To stay ahead, Nilörn also needs

to constantly offer customers new ideas that simplify and streamline their operations. Nilörn was early to develop comprehensive solutions based on efficient IT systems. However, one cannot rest on their laurels. Nilörn has the experience, expertise, and size required to lead the development in the branding and design industry even in the future.

# The Nilörn process



**Meeting:** Meetings between client and Nilörn. 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

Nilörn'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 fashionrelated 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 Nilörn'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, colors, 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 Nilörn 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



"At Nilörn, the graphic designers compile all the material needed to strengthen the identity of a brand"

*Ardén - Concept manufactured and produced in Europe*

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.

## 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 Nilörn'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 Nilörn, the graphic designers compile all the material needed to strengthen the identity of a brand. Once the image and goals are identified, Nilörn's design team creates a customized solution for each individual purpose. All signals are coordinated 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. Nilörn'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 Nilörn'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. Nilörn, 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 Nilörn 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 Nilörn receive help to ensure production and distribution of the labels. All information about the entire process is available on Nilörn's web platform and can be monitored in ten languages on a 24/7 basis.

### Nilörn'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. Nilörn 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





# Nilörn:CONNECT™

## Adding information to your brand

A digital twin of each physical product allows brands to collect and share extended and unique information about individual products. Our platform of digital services helps brands achieve this.

It is no longer an option for brands to avoid genuinely working with their sustainability goals and actions if they want to remain attractive and competitive in the long run. Companies that prepare will have a significant advantage when requirements for transparency and traceability increase. Meanwhile, others will fall behind and face a more significant challenge when requirements, such as the Digital Product Passport, become effective.

Consumers are becoming more aware and make purchasing decisions with sustainability and the environment in mind. Therefore, the ability of brands to manage and share such information is key for

consumers. This means brands need to have control and traceability of their products like material composition, factories involved, working conditions, etc. It is time for brands lagging in these areas to prepare and take action to improve.

### Data carriers/labels

Unique QR codes are the most common way to label individual products, which consumers can scan via a mobile phone. NFC is another option but currently has a much higher price point and is, therefore, mainly used for exclusive and high-value products.

QR codes can also be combined with RFID to support stock management and consumer interactions with a single label. For unique QR codes, the recommendation is to use the GS1 Digital Link-standard with a sub-domain of the brand's domain to avoid a solution vendor lock.

# 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 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 till 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 cooperation 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.

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

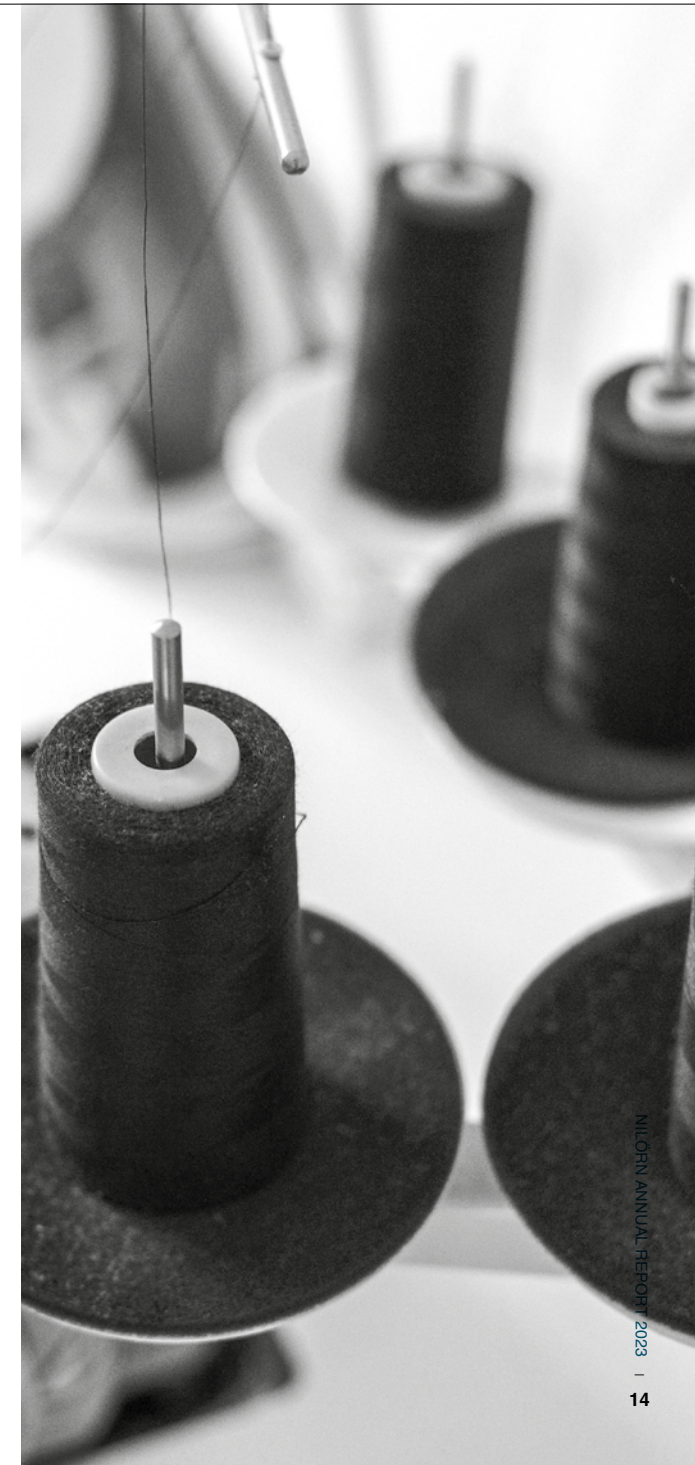
An important part of Nilörn's strategy is to continue adding strong and professional partners to the Group's network, the purpose being to offer effective logistics services to our customers, regardless of where in the world the customer produces its goods. In order to strengthen Nilörn's branding, design 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. Nilörn 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 Cooperation partners

Nilörn has operations in Sweden, Denmark, Norway, Finland, United Kingdom, Italy, Germany, Belgium, France, Portugal, Spain, Austria, Hong Kong, China, Bangladesh, Pakistan, India, Switzerland, USA, Vietnam and Turkey.

Nilörn'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

Nilörn works actively to contribute to a more sustainable future.

Sustainability at Nilörn means meeting the long-term needs of individuals and customers in a responsible way. For us, this means:

- We develop products in close cooperation with our customers and work together to reduce their environmental impact.
- We believe in close cooperation with our partners. By engaging in a meaningful way throughout our supply chain, we can help ensure that our company and our suppliers maintain the highest standards in working practices, human rights and environmental issues.
- We work responsibly for employee well-being and environmental impact. Competent and committed employees provide the basis for Nilörn to be innovative and competitive.

## Rules and frameworks

All Nilörn's activities must comply with national and international laws and conventions. Since 2017, Nilörn has signed the Global Compact's sustainability guidelines. The Global Compact is the world's largest sustainability initiative, with approximately 12,000 participating companies and organisations in over 160 countries. Nilörn is committed to realising and integrating the ten 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.

Nilörn's Code of Conduct is based on the Ethical Trading Initiative's Base Code and all Nilörn suppliers are expected to sign agreements and follow our supplier

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handbook, which includes, among other things, a Code of Conduct, environmental requirements, and a chemical list. Nilörn is a member of Sedex and uses SMETA supply chain audit as part of following up.

We use REACH (The EU regulation on the supply and use of substances) as the basis for the Nilörn Restricted Substance List. By signing our agreement, our suppliers certify that they comply with legislation and restrictions regarding the use of chemicals. Nilörn 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 and support the member companies' daily chemical work. We participate in the Group's network meetings and use the Chemicals Guide to comply with legislation and recommendations.

Nilörn has zero tolerance for bribery and corruption. Our anti-corruption policy is applied internally and in cooperation with suppliers and other external contacts. All employees are subject to this policy, meaning

staff may not receive gifts or other benefits beyond what is considered moderate. If this happens, it should be done with full transparency and following the company's rules regarding the value and type of gift.

Since 2017, Nilörn has published annual statements in accordance with the UK's Modern Slavery Act, where we outline the measures we take to reduce the risk of modern slavery that may occur in our supply chain and operations.

Nilörn Sweden has introduced an environmental management system according to the requirements of Svensk Miljöbas (Swedish Environmental Base). The environmental management system is audited annually by Svensk Miljöbas' approved auditors.

United nations sustainable development goals

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



Our offering

Our goal is to reduce environmental impact by making active choices while also meeting our customers' needs for materials and fast deliveries. Both within our own organization and throughout the supply chain, we review processes, materials, and certifications to offer a product range that includes more sustainable alternatives. We continuously work to evaluate, prevent, or minimize environmental impact and other potential negative effects of our activities, products, and services.

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

- bluesign®
- FSC™ (Forest Stewardship Council)
- GRS (Global Recycle Standard) och RCS (Recycled Claim Standard)
- OEKO-TEX® STANDARD 100
- RecyClass

Our focus lies on FSC™, Higg, OEKO-TEX®, GRS, and SMETA, for which the majority of our production units are certified or audited. Nilörn's factories in Portugal and Hong Kong are bluesign® SYSTEM PARTNERS. The fundamental idea behind bluesign® is based on five principles: focusing on resource conservation, emissions to air and water, consumer safety, as well as occupational health and safety, making production more sustainable.

**Worldy Higg Index**

Since 2020, we have been working with one of the Higg Index tools, the Higg Facility Environmental Module (FEM), to measure and track the climate impact in both our own and external production units. This gives us an opportunity to measure various parts of the supply chain and thereby identify where the impact is greatest and where we can make changes. FEM is based on self-assessment resulting in scores and can also be verified through external auditing.

The Higg FEM module includes the following indicators: water usage, greenhouse gas emissions, waste management, chemical management, environmental management system, wastewater, and energy usage, among others. Reporting for Nilorn Bangladesh, Nilorn East Asia, Nilorn Portugal, Nilorn Turkey, Nilorn UK, and Nilorn Distribution Centre in Germany is all third-party verified.



Nilörngruppen's Sustainability Report 2023

Further information about our work can be found in the Sustainability Report, which is available here: <https://www.nilorn.com/sustainability>



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



# History

## 1970's

Nilörn'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

Nilörn 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 Dekoratorens 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 AB 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, Nilörn's founder, resigned as Chairman of the Board of Directors and left all his assignments in the Group. Nilörn 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 Nilörn's production unit in Portugal.

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

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 Nilörn 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 Nilörn 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.

## 2020's

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.

In 2022 Restructuring and reinforcement in terms of purchasing, CSR compliance and investment in RFID and connected products continues. Best year ever in terms of sales and earnings.

2023 Nilörn launches the platform Nilörn:CONNECT, where clothing items get a unique identity for increased traceability and transparency and where the brand can communicate with the end consumer. At the end of the year Nilörn was established in Vietnam.

# Multi-year survey

Summary of Nilörns development 2018-2023

<i>Amount in MSEK</i>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Income statement</b>					
Net turnover	869,8	942,8	788,3	618,2	715,4
Operation profit	63,0	136,4	119,5	50,8	66,2
Net financial items	-10,4	-4,7	-4,0	-3,7	-3,1
Profit before tax	52,6	132,4	116,2	47,1	63,1
Tax	-13,2	-31,4	-28,8	-13,6	-15,8
Profit for the year	39,4	101,0	87,4	33,5	47,2
Profit/loss attributable to equity holders of the Parent Company	39,3	101,0	87,4	33,5	47,2
<b>Balance sheet</b>					
Non-current assets	168,5	161,5	158,9	156,1	181,1
Inventories	165,8	212,1	145,9	106,6	119,0
Trade receivables	106,4	99,0	114,2	72,0	59,4
Other current assets	32,5	28,2	20,6	21,3	20,6
Cash and cash equivalents	104,7	113,1	116,4	66,3	32,3
Total assets	577,8	614,0	556,1	422,3	412,4
Equity attributable to the Parent Company's equity holders	294,5	333,2	278,3	209,8	186,7
Total equity	294,8	333,2	278,3	209,8	186,7
Non-current liabilities	15,1	37,8	51,8	56,0	51,3
Trade payables	69,5	62,4	98,5	62,9	54,3
Other current liabilities	198,5	180,6	127,5	93,6	120,1
Total liabilities and equity	577,8	614,0	556,1	422,3	412,4
<i>Amounts in MSEK</i>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Key ratios and other information</b>					
Net turnover increase, %	-7,7	19,6	27,5	-13,6	0,5
Operating margin, %	7,2	14,5	15,2	8,2	9,3
Profit margin, %	6,0	14,0	14,7	7,6	8,8
Capital employed	406,3	428,8	354,0	289,3	309,4
Average capital employed	417,6	391,4	321,6	299,3	265,3
Return on capital employed, %	15,6	35,0	37,4	17,2	25,2
Average equity	314,0	305,8	244,0	198,3	183,7
Return on equity, %	12,5	33,0	35,8	16,9	25,7
Equity/assets ratio, %	51,0	54,3	50,0	49,7	45,3
Interest-bearing net liability	16,9	39,3	75,1	24,8	-33,6
Number of employees	593	587	553	499	494

For definitions of alternative key financial indicators, refer to page 53.

# Nilörngruppen's share 2023

## 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 2023 Nilörngruppen AB had 4,412 (5,067) shareholders. At year-end the ten largest owners held 57.46 percent of the capital and 75.8 percent of the votes.

## Dividend

The Board of Directors proposes to the Board a dividend of SEK 1.00 (5.00) per share, corresponding to MSEK 11.4 (57.0).

## Divident policy

Nilörn's dividend policy is to distribute 60-90% of the net profit over time to the shareholders. Consideration shall be given to the Group's financial position, liquidity, results, investment needs, and general market conditions.

*Amounts in MSEK*

<b>Per-share data</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Numbers of shares outstanding, thousands	11 402	11 402	11 402	11 402	11 402
Profit	3.45**	8,86	7,67	2,94	4,14
Dividend	1,00*	5,00	5,00	2,00	-
Equity	25,85	29,22	24,41	18,40	16,37

*\* Proposed dividend*

*\*\*Earnings per share are calculated as profit for the period attributable to holders of shares in the Parent Company in relation to 10 441 988 outstanding shares.*

## The 10 largest shareholders as of 31 december 2023

<b>Owner</b>	<b>Number of shares</b>		<b>Share, %</b>	
	A-aktier	B-aktier	Röster	Kapital
AB Traction	960 000	2 040 000	58,1	26,3
Nordnet Pensionsförsäkring AB	-	880 872	4,4	7,7
VPF Fondsfins Norden	-	600 000	3,0	5,3
Protector Forsikring ASA	-	527 101	2,6	4,6
Hagberg Johan Magnus	-	413 059	2,1	3,6
Försäkringsaktiebolaget Avanza Pension	-	247 037	1,2	2,2
Caceis bank	-	246 931	1,2	2,2
IBKR Financial Services AG	-	225 838	1,1	2,0
ABG Sundal Collier ASA	-	210 953	1,1	1,9
VPF Fondsfins Utbytte	-	200 000	1,0	1,8
<b>Total</b>	<b>960 000</b>	<b>5 591 791</b>	<b>75,8</b>	<b>57,5</b>
<b>Other (4 402 st)</b>	<b>-</b>	<b>4 850 197</b>	<b>24,2</b>	<b>42,5</b>
<b>Total</b>	<b>960 000</b>	<b>10 441 988</b>	<b>100,0</b>	<b>100,0</b>

# 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 2023-01-01 – 2023-12-31 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 2024 Annual General Meeting, to be held in Borås 14 may 2023 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 2023 are available at the Company's website [www.nilorn.se](http://www.nilorn.se)

## Ownership structure

As of 31 december 31 december 2023, 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 2023, there were 4 412 (5 067) The largest shareholder was AB Traction 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. Nilörn strives to increase customer competitiveness by offering services covering all design resources, plus a logistics system that guarantees secure and timely deliveries.

Nilörn is one of Europe's leading players with revenue of 943 (788) MSEK. Nilörn delivers more than 1.5 Billion labels per year of different sizes and types. Nilörn is represented with subsidiaries in Sweden, Denmark, Germany, Belgium, United Kingdom, Portugal, Hong Kong, India, Turkey, Bangladesh, China, Pakistan and USA.

Nilörn 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 Nilörn Group, from design to manufacturing, sales, logistics and service.

## Summary of 2023

### Order bookings

Order bookings increased by 16 percent to 828 MSEK (983).

### Net revenue

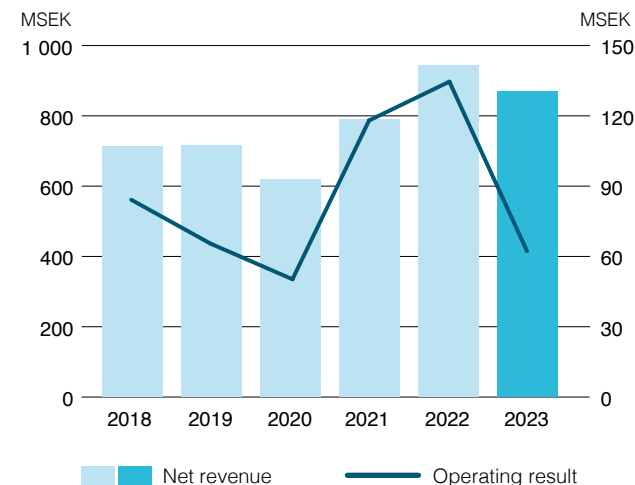
Net revenue decreased by 8 percent to 870 MSEK (943). Foreign currency exchange rates affected revenue positively by 26 MSEK. This means that the underlying organic growth decreased revenue by 10 percent. SEK has weakened during the year compared to all currencies related to Nilörn, which has had a major impact on the turnover for the year. However, the Group's revenue is met by costs in each respective currency, which minimizes the effect on profit.

### Profit

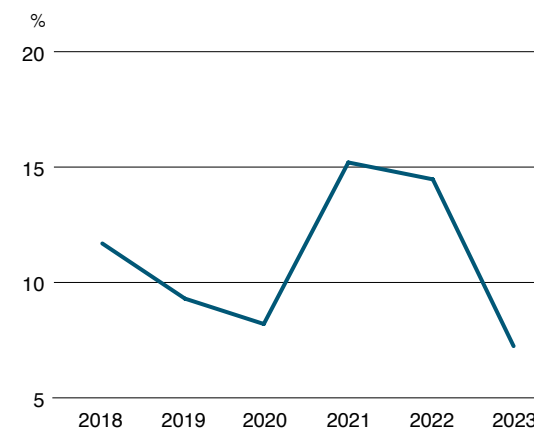
Operating profit amounted to 63,0 (136,4) MSEK, which lakes for an operating margin of 7,2 (14,5) percent. Raw materials and goods for resale relative to revenue was 56,3 (55,8) percent. The gross profit margin is affected by product and client mix and by major individual orders.

Other income amounted to 25,4 (32,4) MSEK, which is mainly attributable currency. External costs increased to 80,4 (71,2). Personnel costs increased to 215,0 (194,3) MSEK. Depreciation increased to 31,2 (29,9) MSEK.

## Net revenue and operating profit



## Operating margin



The tax expense amounted to -13,2 (-31,4) MSEK. Profit after taxes amounted to 39,4 (101,0) MSEK. Nilörn operates in both low- and high-tax countries and the average tax depends on developments in the respective country.

#### **Tied-up capital**

Capital tied up in inventories decreased by 46 MSEK to 166 (212) MSEK and trade receivables increased by 7 MSEK to 106 (99) MSEK. A large part of Nilörn'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, investments and financial standing**

Cash flow from operating activities amounted to 89,1 (44,6) MSEK. Cash flow from investment activities amounted to -17,7 (-8,4) MSEK.

Net cash at the end of the period stood at 7 (17) MSEK, of which, IFRS16, increased interest-bearing liabilities by 24 (22) MSEK. Comparable numbers not including the effect of IFRS16, is net cash of 17 (39) MSEK.

Cash and cash equivalents amounted to 105 MSEK (113). In addition, hereto there were unutilized bank credit facilities totaling 74 MSEK (46).

Equity amounted to 294,8 (333,3) MSEK. The difference is made up of the year's profit of 39,4 MSEK, dividend paid 57,7 MSEK, revaluation of pension plan of 0,5 MSEK, further acquisition of Bally Labels AG by 0,7 MSEK and translation differences of -18,8 MSEK.

The equity ratio at year-end stood at 51 percent (54).

#### **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, there has been a decline in Sweden and Asia, while turnover in Europe has increased.

The operating result has decreased in all markets as the larger established markets have a weaker development, albeit with a lower decrease in Europe thanks to the increased volumes.

#### **Personnel**

The average number of employees in the Group at year-end 2023 was 593 (587) of which 250 (247) were women. 335 (317) Of the employees were engaged in production and warehousing. For additional details refer to note 8.

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. Guidelines for compensation to senior executives are specified in the Corporate Governance Report.

#### **Acquisition**

During the financial year, the Nilörngruppen acquired a further 10% in Bally Labels AG, and the total holding then amounts to 90%.

The acquisition of Bally Labels has affected turnover by 8.1 MSEK. The operating result has been affected by 0.5 MSEK. Goodwill attributable to the acquisition that took place on 12-31-2022 amounts to 11.7 MSEK

#### **Significant events**

The Board of Directors proposes to the Annual General Meeting that a dividend of 1,00 (5,00) SEK per share, equivalent to 11,4 (57,0) MSEK.

#### **Transactions with closely related parties**

Apart from dividends to the shareholders, no transactions between Nilörngruppen AB and related parties that significantly affected the Group's results and financial position took place during the period. Parent company transactions with subsidiaries relate to design, product development, IT and other services.

Refer to note 8 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 2023 (<1 percent). The development is related to the development of new IT systems and is capitalized on the balance sheet

#### **Risks and uncertainty factors**

Nilörn 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.

Nilörn 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. Nilörn 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.

#### **Commodity risk**

##### *Price risk*

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

##### *Supplier dependency*

For all the goods that Nilörn buys in, there are alternative suppliers, which is why the assessment is that Nilörn would not be seriously damaged by a single supplier not being able to meet the set requirements.

**IT-risk**

Nilörn works actively with IT security and has taken a number of measures to prevent IT problems from occurring. To the extent that problems do arise, this is quickly remedied so that production and deliveries etc. minimally affected. Nilörn has an IT department that works to ensure operations, develop the Group's business system and provide customers with first-class service when integrating IT and logistics solutions.

**Environmental risk**

There are a number of environmental risks linked to Nilörn's operations. Nilörn has a large number of suppliers over whom it is difficult to gain complete control, Nilörn is active in countries that can be seen as difficult such as Bangladesh and that the clothing industry has traditionally had large emissions. These risks are evaluated annually as they are part of the double materiality analysis carried out within the framework of the new CSRD regulations. Each risk is evaluated based on impact and financial materiality, and finally it is determined which are Nilörn's material risks. The work is led by the CSRD Task Force, which consists of the CEO, CFO, HR Manager, Sustainability Manager, Purchasing Manager, CSR Manager and CEO of Nilörn UK. For more details about Nilörn's work with CSRD and identified risks, see the Sustainability Report.

**Political risks**

Nilörn operates in 18 countries both in Asia, Europe and the USA. The political risks include potential instability due to changes in government, which could affect legislation and the business environment. Corruption and lack of enforcement of legal systems can lead to uncertainty and unequal treatment of businesses. Trade sanctions and political tensions between countries can also affect business relationships and the export/import of goods. Changes in tax policy and regulations can create administrative burdens and affect the profitability of the company. In addition, political demonstrations and social unrest may affect the production and distribution chain in some areas.

**Financial risks**

Nilörn 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
- Credit risks relating to financial and commercial activities.
- Liquidity that cannot be exchanged or transferred within the Group without authority approval.

Handling and monitoring the financial risks are centralized 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 Nilörn is closely related to the company's longterm relationship with customers, employees and other stakeholders. For Nilörn sustainability means working to fulfil the needs of people and society, without jeopardizing the opportunity for future generations to fulfil these needs and includes work with the environment, anti-corruption, personnel, social conditions and human rights. Nilörn'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 prioritize.

Our sustainability work is managed by a Group-wide sustainability manager based in the Swedish head office and a "Group CSR Manager" based in Hong Kong. The Sustainability Manager is part of the management team and reports to the CEO. The Nilörn CSR and Corporate Sustainability Advisory Team (CSAT) was formed in 2018. The purpose of the Group is to further integrate CSR and sustainability into the daily operations of the organization, spread knowledge and share experiences. The team consists of personnel from the design department, product development, production, purchasing, sales and CSR from various Nilörn companies.

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

For more details about the work with reporting and follow-up of these policies, see our Sustainability Report. The sustainability report for Nilörn is issued as a separate report from the annual report in accordance with ÅRL 7:11. The report is available on the website: [nilorn.com](https://nilorn.com)

**The Group's outlook in 2024**

An anxious environment affects general consumption, however, most of our customers in the outdoor segment are more optimistic about 2024 as stocks of finished goods are expected to fall during the year.

For continued expansion in the countries with strong growth, such as Bangladesh, Vietnam and Portugal, we will invest in increased production capacity. We will also intensify the investment in Nilörn:CONNECT, which will strengthen our digital presence and improve the customer experience. Investments in digital products and guiding customers in sustainability and compliance continue. There are challenges, but also great opportunities where we can assist our customers with the changes that follow from the increased legislation within the EU linked to the Green Deal. Nilörn's concept, Nilörn:CONNECT, offers customers various solutions to support them on the way to the Digital Product Passport. Nilörn entered into a strategic cooperation agreement with Worldfavor, which will further strengthen the Nilörn:CONNECT solution and position us even stronger in sustainability.

**Parent company's operations**

The parent company's operations mostly consist of managing Group-wide functions such as branding and design, product development, finance, administration, information and IT. The average number of employees in 2023 amounted to 28 people (26).

Dividends from subsidiaries have been received during the year amounting to 56 (57) MSEK. Write-down of shares in subsidiaries has taken place by 22 MSEK. Group contributions have been received net of 6 (13) MSEK.

Net sales for the period January - December amounted to 35,6 (32,8) MSEK. The operating result amounted to -4,5 (-6,2) MSEK and the result after net financial items 26,4 (50,0) MSEK.

**Proposal for profit allocation (TSEK)**

The company's Annual Report will be presented for approval at the Annual General Meeting on 14 May 2024.

The following profits are at the disposal of the AGM in the parent company:

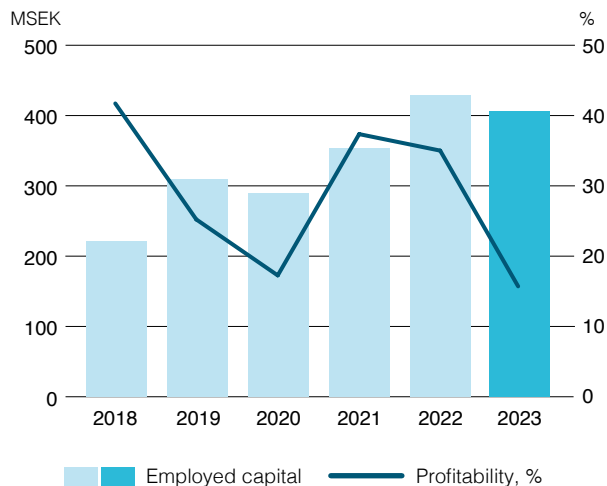
<b>Retained earnings</b>	<b>122 963</b>
Profit of the year	33 181
<b>Funds available for distribution</b>	<b>156 144</b>

The dividend proposed by the Board amounts to 11,4 (57,0) MSEK, corresponding to 1,00 (5,00) SEK per share and the remaining 144,7 MSEK is proposed to be balanced in a new calculation.

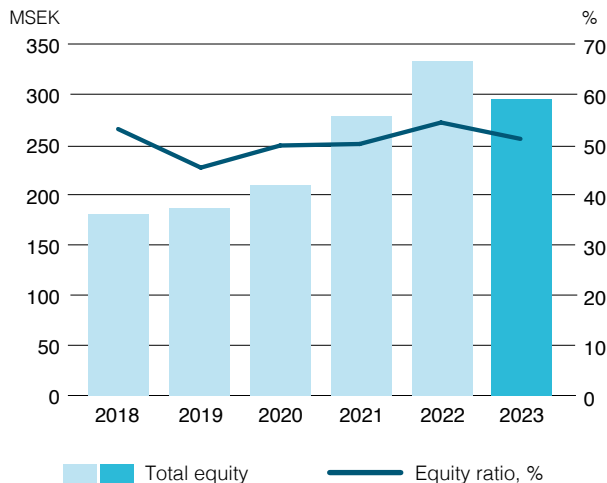
The Group's equity attributable to the parent company's shareholders amounts to 294,5 MSEK on December 31, 2023, and free equity in the parent company was 156,1 MSEK. With regard to the above and what has otherwise come to the Board's attention, it is the Board's assessment that the proposed dividend is justifiable taking into account the requirements that the nature, scope and risks of the business place on the size of the company's and the Group's equity as well as the company's and the Group's consolidation needs, liquidity and position in general.

With regard to the Group's and parent company's results and position in general, reference is made to the subsequent income and balance sheets with associated financial statement comments.

**Capital employed and return on capital employed**



**Equity and equity ratio**



Mono - mono material concept



# Corporate governance report

## Corporate governance

Nilörngruppen AB 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 AB 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 AB 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 AB'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 Nilörn Group during 2023.

## The Swedish code of Corporate Governance

### *Deviations from the code*

**Rules:** nomination committee

**Explanation:** Nilörngruppen AB 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 (telefon 08-506 289 00).

## Articles of Association

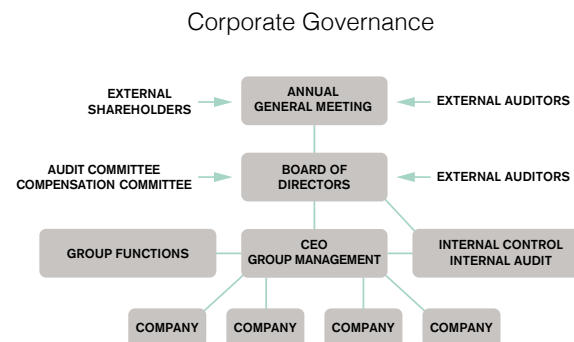
In addition to legislation, rules and recommendations, the Articles of Association constitute a central document for the governance of the company. The Articles of Association are adopted by the Annual

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 Nilörn's website [www.nilorn.se](http://www.nilorn.se)

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 2023 Nilörngruppen AB had 4 412 Shareholders (5 067). The ten largest shareholders at year-end owned 57,5 percent of the capital and 75,8 of the votes and the largest owner, AB Traction, owned 26 percent of the capital and 58 percent of the votes.



## 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 2023

Nilörngruppen AB's Annual General Meeting was held on May 3 May in Borås. Complete information about the 2023 regularly scheduled Annual General Meeting is available at the website [nilorn.com](http://nilorn.com)

## Annual General Meeting 2024

The Annual General Meeting will be held on 14 May 2024 in Borås. See Annual General Meeting page 62 for further details.

## The Board of Directors and its independence

The Board of Nilörngruppen AB is subject to the independence requirements prescribed in the Code. The independence requirements basically mean that only one person from the company's management may be a member of the Board, that a majority of the Board members elected by the general meeting must be independent in relation to the Company and company management, and that at least two of the members elected by the general meeting who are independent in relation to the company and the company management must also be independent in relation to the company's major shareholders.

The Board shall consist of a minimum of three and a maximum of six members. From the 2023 Annual General Meeting, the Board has consisted of four members. At the 2023 Annual General Meeting,



Petter Stillström, Johan Larsson, Magnus Johansson and Ann-Christine Hvittfeldt were re-elected. Of the members, Petter Stillström is not independent in relation to the company's major shareholders. Other members are independent of the company and company management. Petter is CEO and major shareholder in AB Traction.

### Tasks of the Board of Directors

The Board's work is governed, in addition to laws and recommendations, by the Board's rules of procedure. The Board annually reviews the rules of procedure and establishes them by Board resolution. The rules of procedure regulate the division of responsibilities between the Board and the CEO, the CEO's powers, meeting schedule and reporting. The Board meetings deal with the budget, interim reports, annual accounts, the business situation, investments and establishments. The Board also receives monthly reporting regarding the company's financial position. At the regular Board meetings, reports are also submitted regarding the ongoing work within the various companies with in-depth analyzes and proposed measures. In addition, overall questions regarding long-term business strategy as well as structure and organizational issues are dealt with. As the Board consists of Swedish members, meetings and documentation are held in Swedish. Normally between five and ten Board meetings are held per year. During 2023, the Board met on eight regular occasions and one constitutive meeting after the general meeting. The Chairman maintains continuous contact with the Managing Director and follows the Group's operations and development.

### Composition of the Board of Directors

2023		Presence			Independence	
		Fee SEK	Regularly scheduled Board of Directors meetings	Statutory Board of Directors meetings	Relative to the Company and management	Relative to major shareholders
Director	Elected					
Stillström Petter (Chairman since 2009)	2007	240 000	8/8	1/1	yes	no
Johan Larsson	2018	120 000	8/8	1/1	yes	yes
Magnus Johansson	2022	120 000	8/8	1/1	yes	yes
Ann-Christine Hvittfeldt	2022	120 000	8/8	1/1	yes	yes

Once a year, the Chairman of the Board initiates an evaluation of the Board's work. Each Board member has answered a questionnaire. The answers are compiled and the results discussed in the Board. The Board continuously evaluates the CEO's work 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 compensation committee consists of Petter Stillström and Johan Larsson. Remuneration to the CEO and other senior executives shall consist of a fixed market salary. Variable compensation such as bonuses may occur, when justified in order to be able to recruit and retain key personnel and to stimulate sales and profit improvements. Variable remuneration must be based on predetermined and measurable criteria such as the performance and sales development. The variable compensation may amount to no more than 50 percent of the fixed compensation. The guidelines were established at the 2023 Annual General Meeting and the same guidelines will be proposed to the 2024 Annual General Meeting.

Special remuneration for Board work in Group companies shall not be paid to senior executives. Pension benefits must correspond to the ITP plan or, in the case of senior executives 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

Remuneration to the Group's CEO consists of a fixed salary and a bonus of a maximum of six months' wages, see note 8. No Board fee is paid to the CEO. Pension benefits are paid at 25 percent of the fixed salary. For the CEO, a mutual notice period of 9 months applies.

### Compensation to the Board of Directors

The general meeting decides on remuneration for the Board members elected by the general meeting. The distribution of the fee between the Chairman and other members is shown in note 8 for the Group in the annual report.

### Auditor

At the 2023 Annual General Meeting, the audit firm PwC was appointed as auditors. In connection with the Annual General Meeting, Nicklas Kullberg was elected as the person responsible for the audit.

### The audit work

The Group applies international accounting standards, International Financial Reporting Standards (IFRS), when preparing the Group's reporting. The audit of the annual report, Group the accounting and bookkeeping as well as the Board and executive the director's administration is carried out in accordance with good auditing practice in Sweden.

### Operational management of the business

The Group Board appoints the Managing Director of the parent company, who is also the Group CEO. A written instruction establishes the division of responsibilities between the CEO and the Board. The Managing Director's responsibilities for the day-to-day operations include, among other things, day-to-day investments and divestments, personnel, financial and economic issues, day-to-day contacts with the company's stakeholders, such as authorities and the financial market, as well as ensuring that the Board receives the information required to be able to well-founded decisions. The CEO reports to the Board. The Managing Director has appointed a Management Group that is continuously responsible for various parts of the business. In addition to the CEO, the Group management consists of the Asia Manager, Marketing Manager and Sustainability Manager.

Group Management is responsible for the implementation of the Group's overall strategy, ongoing business management, design and compliance with policies and risk management, financing issues and other issues that concern a Management Group. Other matters that are dealt with may be company acquisitions and Group-wide projects. The Management Group has regular meetings to drive and follow up on current projects and issues within the business.



# Report of the Board of Directors on internal control

## General

The Board is responsible for the work with corporate governance and internal control according to the Swedish Companies Act and the Swedish Code of Corporate Governance. The overall aim is to protect the company's assets and the shareholders' investment. This description of internal control and risk management is submitted by Nilörn's Board and has been drawn up in accordance with the Swedish Code of Corporate Governance and is thus limited to internal control regarding financial reporting. The Board has chosen to integrate the Board's report on the internal control in the corporate governance report and only describe how it is organized without providing a statement on how well it has functioned and without auditor review. Nilörn's internal control structure is based on the COSO model (Committee of Sponsoring Organizations of the Treadway Commission) and assessments are made in the areas of control environment, risk assessment, control activities, information and communication and follow-up.

## Control environment

The goal of internal control is to create a clear responsibility structure and effective decision-making process. An important part of this is to prepare and establish a number of basic policies, guidelines and frameworks for the company's financial routines and for financial reporting.

In the Board's rules of procedure and instructions for the Managing Director, a division of roles and responsibilities is determined, which aims at effective management of the business's risks. The Board has also adopted a number of basic guidelines and policies that are important for internal control, such as financial policy, accounting and reporting instructions, financial handbook, personnel handbook, anti-corruption policy and information policy. The basic governing documents are continuously subject to revision. Company management regularly reports to the Audit Committee based on established procedures. The Board evaluates ongoing operations and results through an appropriate report package containing the profit and loss report and development of key figures as well as other essential operational and financial information.

## Risk assessment

In the Group, ongoing risk assessment is carried out to identify significant risks. Risk management consists of identifying, analyzing and trying to prevent or reduce the risk of them occurring. With regard to the financial reporting, the risks are primarily assessed to consist of significant inaccuracies in the valuation of assets, liabilities, income or costs or changed business conditions, etc. The risk analysis has identified a number of critical processes. The biggest focus is on the purchasing and revenue processes because it is in these that the largest flows in the Group take place.

## Control activities

The Group's central staff is responsible for designing, implementing, further developing and maintaining control activities in order to effectively manage the risks that the Board and management have deemed to be significant. The control activities aim to detect or prevent in time the risk of incorrect reporting.

Nilörn has introduced a control system to verify the various processes and ensure the financial reporting. To ensure internal control, there are both automated controls in e.g. IT-based systems, which manage authorizations and certificates, as well as manual controls in the form of e.g. reconciliations, internal Board meetings, internal audits and self-evaluations.

Detailed financial analyzes of the results as well as follow-up against plans and forecasts complement the controls and provide an overall confirmation of the quality of the reporting. All reporting companies have a responsible financial manager or a controller who is responsible for the correctness of the financial reporting from the unit. Nilörn's controller function follows up and analyzes to verify that the reporting received from each unit is accurate, complete and timely. No CEOs are allowed to appoint or remove CFOs themselves, and the CFOs report directly to the CFO for the Group.

The results and follow-up of the controls are presented to and discussed in the Audit Committee. Several processes are fully or partially centralized such as design, purchasing, logistics, financing, IT and Group compilations. The Board receives ongoing financial reports and at each Board meeting the financial situation of the Group and the various companies is discussed.

## Information and communication

Nilörn's essential and governing documentation in the form of policies, guidelines and manuals, regarding financial reporting, is primarily communicated via the intranet and the Group's financial handbook. The Board regularly receives financial reports. For communication with internal and external parties, there is a communication and IIR policy that specifies guidelines for how this communication should take place. The purpose of the policy is to ensure that all information obligations are complied with correctly and completely.

## Follow-up

The Board and company management continuously follow up the Group's adherence to adopted policies and guidelines. Nilörn's business units are not divided through common business and Group reporting systems as well as common accounting instructions. The Group's central finance function also works closely with subsidiary controllers regarding financial statements and reporting. Nilörn has no separate internal audit function. However, Nilörn has a defined one process for evaluation and follow-up of internal control. The form of follow-up is decided by the Board, which also annually evaluates the need by a special internal audit function.

The Group applies international accounting standards, International Financial Reporting Standards (IFRS), when preparing the Group's reporting. During the autumn, an ongoing review is carried out by the external auditors. The Group's nine-month report is comprehensively reviewed by the company's auditors according to the recommendation issued by FAR SRS.

## Consolidated Income Statement

<i>Amounts in TSEK</i>	Not	2023	2022
	1, 2		
Net revenue	3	869 769	942 811
Other operating income	5	25 392	32 447
<b>Total operating revenue</b>		<b>895 161</b>	<b>975 258</b>
Raw materials and supplies		-490 062	-526 292
Other external costs	6	-80 393	-71 173
Personnel costs	8	-214 944	-194 303
Depreciation amortisation and impairment charges	11, 12	-31 195	-29 921
Other operating expenses	7	-15 570	-17 154
<b>Operating result</b>	<b>3</b>	<b>62 997</b>	<b>136 415</b>
Financial income	3, 29	2 325	745
Financial expense	3, 30	-12 758	-4 743
<b>Net finance items</b>		<b>-10 433</b>	<b>-3 998</b>
<b>Profit before taxes</b>		<b>52 564</b>	<b>132 417</b>
Taxes	3, 9	-13 176	-31 417
<b>Profit for the year</b>		<b>39 388</b>	<b>101 000</b>
Attributable to:			
The Parent Company's equity holders		39 345	101 000
Minority interest		43	-
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		3.45	8.86
Earnings per share, SEK after dilution		3.45	8.86
Earnings per share, SEK (for 2023 as proposed by the Board of Directors)		1.00	5.00

## Consolidated Report on Comprehensive Result

<i>Amounts in TSEK</i>	2023	2022
Profit of the year	39 388	101 000
<b>Other comprehensive result that can be restated as profit for the year</b>		
Translation differences	-18 846	12 743
<b>Other comprehensive income that cannot be transferred to the year's income</b>		
Revaluation of refined pension plan	-536	-1 772
<b>Total comprehensive result for the period</b>	<b>20 006</b>	<b>111 971</b>
Period's comprehensive result attributable to:		
The Parent Company's equity holders	19 963	111 971
Holdings without controlling influence	43	-

## Consolidated Balance Sheet

<i>Amounts in TSEK</i>	Not	2023	2022
	1, 2, 21		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible non-current assets	10,11	47 989	38 619
Tangible non-current assets	12,13	109 446	110 443
Long-term receivables	16	3 915	4 032
Deferred tax assets	9	7 134	8 439
<b>Total non-current assets</b>		<b>168 484</b>	<b>161 533</b>
<b>Current assets</b>			
Inventories	18	165 813	212 130
Trade receivables	19	106 363	99 009
Other receivables	19	11 969	14 283
Current tax assets		10 162	6 641
Prepaid expenses and accrued income	20	9 591	7 298
Derivative instruments	22	748	-
Cash and cash equivalents		104 719	113 085
<b>Total current assets</b>		<b>409 365</b>	<b>452 446</b>
<b>TOTAL ASSETS</b>		<b>577 849</b>	<b>613 979</b>
<b>EQUITY AND LIABILITIES</b>	<b>1, 2, 21</b>		
<b>Equity</b>			
Share capital		2 850	2 850
Other contributed capital		43 231	43 231
Reserves		-12 551	6 311
Retained earnings including the year's profit		260 940	280 827
<b>Equity attributable to the Parent Company's equity holders</b>		<b>294 470</b>	<b>333 219</b>
Minority interest		352	-
<b>Equity</b>		<b>294 822</b>	<b>333 219</b>
<b>Long-term liabilities</b>			
Long-term provisions	23	806	1 096
Deferred tax liabilities	9	5 541	5 922
Interest bearing liabilities to credit institutions		-	25 318
Interest bearing lease liabilities		8 706	5 430
Non interest bearing liabilities		32	-
<b>Total long-term liabilities</b>		<b>15 085</b>	<b>37 766</b>
<b>Current liabilities</b>			
Interest bearing liabilities to credit institutions		87 857	48 486
Interest bearing lease liabilities		14 929	16 386
Trade payables		69 482	62 432
Current tax liabilities		17 343	23 855
Other non-interest-bearing liabilities		33 105	40 314
Accrued expenses and prepaid income	24	45 226	51 521
<b>Total current liabilities</b>		<b>267 942</b>	<b>242 994</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>577 849</b>	<b>613 979</b>

# 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 294 822 (333 219). Nilörn's financial strategy is to create satisfactory financial conditions for the Group's operations and development. For 2023 the return on equity was 12.5 percent (33.0) and the equity ratio was 51.0 percent (54.3).

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK1.00 per share will be paid for the 2023 operating year equivalent to MSEK 11.4 (57.0).

	Share capital	Other contributed capital	Reserves	Retained earnings incl profit for the year	Total	Non controlling interest	Total equity
<i>Amounts i TSEK</i>							
<b>EQUITY 2021-12-31</b>	<b>2 850</b>	<b>43 231</b>	<b>-6 432</b>	<b>238 609</b>	<b>278 258</b>	<b>-</b>	<b>278 258</b>
Profit of the year	-	-	-	101 000	101 000	-	101 000
<b>Other comprehensive result</b>							
Period's translation differences	-	-	12 743	-	12 743	-	12 743
Revaluation of defined pension plan	-	-	-	-1 772	-1 772	-	-1 772
<b>Transactions with shareholders</b>							
Transactions with minority	-	-	-	-	-	-	-
Dividend	-	-	-	-57 010	-57 010	-	-57 010
<b>EQUITY 2022-12-31</b>	<b>2 850</b>	<b>43 231</b>	<b>6 311</b>	<b>280 827</b>	<b>333 219</b>	<b>-</b>	<b>333 219</b>
Profit of the year	-	-	-	39 345	39 345	43	39 388
<b>Other comprehensive result</b>							
Period's translation differences	-	-	-18 862	-	-18 862	16	-18 846
Revaluation of defined pension plan	-	-	-	-536	-536	-	-536
<b>Transactions with shareholders</b>							
Transactions with minority	-	-	-	-1 686	-1 686	970	-716
Dividend	-	-	-	-57 010	-57 010	-677	-57 687
<b>EQUITY 2023-12-31</b>	<b>2 850</b>	<b>43 231</b>	<b>-12 551</b>	<b>260 940</b>	<b>294 470</b>	<b>352</b>	<b>294 822</b>

## Consolidated Cash Flow Statement

<i>Amounts in TSEK</i>	2023	2022
<b>Operating activities</b>		
Operating profit	62 997	136 415
<i>Adjustment for items not included in cash flow</i>		
Depreciation, amortisation and impairment charges	31 195	29 921
Realization gain/loss fixed assets	-	-700
Other items not affecting liquidity	-7 006	-4 305
	<b>87 186</b>	<b>161 331</b>
Interest income	2 325	745
Interest paid	-6 288	-2 210
Taxes paid	-23 209	-32 853
<b>Cash flow from operating activities before changes in working capital</b>	<b>60 014</b>	<b>127 013</b>
<b>Cash flow from changes in working capital</b>		
Inventories	31 694	-55 423
Trade receivables	-18 441	22 731
Other short term receivables	-4 248	-7 475
Accounts payable	25 368	-39 246
Other liabilities	-5 273	-2 970
<b>Cash flow from operating activities</b>	<b>89 114</b>	<b>44 630</b>
<b>Investment activities</b>		
Acquisition of intangible non current assets	-12 113	-6 076
Acquisition of tangible non current assets	-7 050	-10 572
Acquisition of business	-	6 290
Received in sale of tangible non current assets	-	1 079
Change in long term receivable	1 421	909
<b>Cash flow from investment activities</b>	<b>-17 742</b>	<b>-8 370</b>
<b>Financing activities</b>		
Repayment/ raised loans	17 824	36 894
Amortization of interest-bearing debts	-3 510	-2 112
Amortization of leasing debts	-19 557	-18 860
Dividend paid	-57 692	-57 010
<b>Cash flow financing activities</b>	<b>-62 935</b>	<b>-41 088</b>
<b>Cash flow for the year</b>	<b>8 437</b>	<b>-4 828</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>113 085</b>	<b>116 367</b>
Translation difference in cash and cash equivalents	-16 803	1 546
<b>Cash and cash equivalents at year end</b>	<b>104 719</b>	<b>113 085</b>

\* Cash means bank balances

\*\* For reconciliation of items attributable to financing activities, see note 27

## Parent Company Income Statement

<i>Amounts in TSEK</i>	Not	2023	2022
	1, 2		
Net revenue	4	35 593	32 845
Other operating income	5	-	88
<b>Total operating revenue</b>		<b>35 593</b>	<b>32 933</b>
Raw materials and supplies	4	-	-
Other external costs	6	-13 416	-12 358
Personnel costs	8	-22 906	-23 266
Deprecation amortisation and impairment charges	11,12	-3 759	-3 535
<b>Operating result</b>		<b>-4 488</b>	<b>-6 226</b>
<b>Profit from financial investments</b>			
Result from shares in Group companies	28	34 238	56 859
Interest income and similar items	29	7 957	3 347
Interest expense and similar items	30	-11 292	-3 948
<b>Profit after financial items</b>		<b>26 415</b>	<b>50 032</b>
Year end appropriations	32	8 118	9 815
Taxes on the year's profit	9	-1 352	-1 355
<b>Profit of the year</b>		<b>33 181</b>	<b>58 492</b>

## Parent Company Balance Sheet

<i>Amounts in TSEK</i>	Not	2023	2022
<b>ASSETS</b>	<b>1, 2, 21</b>		
<b>Non-current assets</b>			
Intangible non-current assets	11	34 481	26 287
Tangible non-current assets	12	1 253	617
<b>Financial non-current assets</b>			
Shares in Group companies	14	130 926	128 378
Due from Group companies	17	-	23 311
Total financial non-current assets		130 926	151 689
<b>Total non-current assets</b>		<b>166 660</b>	<b>178 593</b>
<b>Current assets</b>			
Accounts receivable	19	16	50
Due from Group companies		102 587	100 783
Other receivables		970	2 297
Prepaid expenses and accrued income	20	1 380	898
Derivatinstrument	21,22	748	-
<b>Total current assets</b>		<b>105 701</b>	<b>104 028</b>
<b>TOTAL ASSETS</b>		<b>272 361</b>	<b>282 621</b>
<b>EQUITY AND LIABILITIES</b>	<b>1, 2, 21</b>		
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital (960.000 A shares quotient value SEK 0.25 and 10.441.988 B shares quotient value SEK 0.25)		2 850	2 850
<b>Total restricted equity</b>		<b>2 850</b>	<b>2 850</b>
Unrestricted equity			
Premium reserve		122 963	121 480
Profit for the year		33 181	58 492
<b>Total unrestricted equity</b>		<b>156 144</b>	<b>179 972</b>
<b>Total equity</b>		<b>158 994</b>	<b>182 822</b>
<b>Untaxed reserves</b>		<b>14 353</b>	<b>16 370</b>
<b>Current liabilities</b>			
Interest-bearing liabilities to credit institutions		29 653	17 810
Account payable		2 981	800
Due to Group companies		51 581	38 204
Other non-interest-bearing liabilities		8 086	18 014
Accrued expenses and prepaid income	24	6 713	8 601
<b>Total current liabilities</b>		<b>99 014</b>	<b>83 429</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>272 361</b>	<b>282 621</b>

## Changes in Parent Company Equity

<i>Amounts in TSEK</i>	Share capital	Unrestricted equity	Total equity
<b>EQUITY 2021-12-31</b>	<b>2 850</b>	<b>178 490</b>	<b>181 340</b>
Profit of the year	-	58 492	58 492
Dividend	-	-57 010	-57 010
<b>EQUITY 2022-12-31</b>	<b>2 850</b>	<b>179 972</b>	<b>182 822</b>
Profit of the year	-	33 181	33 181
Dividend	-	-57 010	-57 010
<b>EQUITY 2023-12-31</b>	<b>2 850</b>	<b>156 143</b>	<b>158 993</b>

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

## Cash Flow Statement for the Parent Company

<i>Amounts in TSEK</i>	2023	2022
<b>Operating activities</b>		
Operating result	-4 488	-6 226
Adjustment for items not included in cash flow		
Depreciation, amortisation and impairment charges	3 759	3 535
Other items not affecting liquidity	-	-96
	<b>-729</b>	<b>-2 787</b>
Interest income	7 957	3 347
Interest paid	-11 292	-3 948
Taxes paid	-1 352	-1 355
<b>Cash flow from operating activities before changes in working capital</b>	<b>-5 416</b>	<b>-4 743</b>
<b>Cash flow from changes in working capital</b>		
Trade receivables	34	28
Other short-term receivables	-1 705	-52 988
Trade payables	2 181	-360
Other current liabilities	1 561	7 392
<b>Cash flow from operating activities</b>	<b>-3 345</b>	<b>-50 671</b>
<b>Investment activities</b>		
Acquisition of intangible non-current assets	-11 695	-6 026
Acquisition of tangible non-current assets	-895	-86
Acquisition of and additions to Group companies	-2 548	-464
Lending to subsidiaries	23 311	-17 102
<b>Cash flow from investment activities</b>	<b>8 173</b>	<b>-23 678</b>
<b>Financing activities</b>		
Net changes in short-term interest-bearing loans	11 843	17 810
Dividend income	34 238	56 859
Group contributions, received	6 155	13 464
Group contributions, rendered	-54	-79
Dividend paid	-57 010	-57 010
<b>Cash flow from financing activities</b>	<b>-4 828</b>	<b>31 044</b>
<b>Cash flow for the year</b>	<b>-</b>	<b>-43 305</b>
Cash and cash equivalents at beginning of year	-	43 305
<b>Cash and cash equivalents at year-end</b>	<b>-</b>	<b>-</b>

\* Cash means bank balances and short-term investments with a maturity of less than three months.

\*\* For reconciliation of items attributable to financing activities, see note 27





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## 1) Accounting Principles

The consolidated financial statements for Nilörn Group AB for the financial year ending December 31, 2023, were approved by the Board of Directors and the CEO for publication on April 23, 2024, and will be presented to the Annual General Meeting on May 14, 2024, for approval. The parent company is a Swedish public limited company, headquartered in Borås, Sweden.

### Applied Regulations:

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU Commission for application within the EU. Additionally, the Swedish Accounting Standards Board (RFR) has been applied, specifically RFR 1 Supplementary Accounting Rules for Groups, which entails providing certain additional disclosures in the consolidated financial statements. The accounting principles described below have been consistently applied for all periods presented in the consolidated financial statements and have further been consistently applied within the corporate Group. The consolidated financial statements are primarily based on historical costs except for certain financial assets and liabilities that are measured at fair values. The financial reports are prepared in Swedish Krona, which is the functional currency of the parent company, coinciding with the reporting currency for the consolidated financial statements.

Preparation of financial reports in accordance with IFRS requires management to make judgments, estimates, and assumptions. Critical judgments and estimates are usually based on historical experience and expected future events. Disclosures regarding areas where applied judgments and estimates include uncertainty are provided in Note 1.

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

### The Group

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). As Nilörn Group AB is a company within the EU, only EU-approved IFRS are applied. Additional information in accordance with the Swedish Accounting Standards Board RFR 1 has also been considered.

### New Accounting Principles for 2023

No new accounting principles that significantly impacted Nilörn have been implemented for the year 2023.

### New Accounting Principles for 2024

Management assesses that new or amended standards and interpretations, not yet effective, are not expected to have a significant impact on the Group's financial statements when applied for the first time.

### The Parent Company

The parent company's annual report is prepared in accordance with the Swedish Annual Accounts Act and with the application of RFR 2. According to this recommendation, the parent company shall prepare its reports in accordance with IFRS issued by the IASB and interpretations (IFRIC) adopted by the EU to the extent that they do not conflict with the Annual Accounts Act. The accounting principles have been consistently applied to all periods unless otherwise stated.

Contributions from shareholders are directly reported against equity in the recipient and are recognized as shares and holdings in the giver, to the extent that impairment is not required.

In the parent company's financial statements, due to the relationship between accounting and taxation, the deferred tax liability on untaxed reserves is included as part of the untaxed reserves.

The parent company has chosen to apply the exceptions in RFR 2 for IFRS 16, meaning that all lease agreements are recognized as operating leases.

The parent company has chosen, in accordance with RFR 2, not to apply IFRS 9 to legal entities.

### Critical Judgments and Estimates:

Management considers the following areas to include the most critical judgments and estimates made in connection with the preparation of the financial reports, where a different judgment could result in significant changes in the financial reports in the coming year:

- Assessment of the probability of deferred tax assets being realized
- Assessment of impairment risk in inventories and accounts receivable

In the preparation of financial statements in accordance with IFRS, estimates and assumptions have been made in the financial statements. These assessments are based on historical experiences and various assumptions that management and the Board consider reasonable under current circumstances. In cases where it is not possible to determine the reported value of assets and liabilities through information from other sources, such estimates and assumptions form the basis for valuation. If different assumptions are made or other conditions exist, actual outcomes may differ from these assessments.

### Valuation of Tax Losses:

As of December 31, 2023, the Group has tax loss carryforwards totaling 20,032 TSEK. These tax loss carryforwards have been assessed at the balance sheet date, and it has been deemed likely that the tax loss can be offset against surpluses in future taxation. Deferred tax assets related to these tax loss carryforwards amount to 5,008 TSEK and concern loss deductions in Belgium, which can be utilized indefinitely. The business in Belgium is expected to generate future surpluses. Therefore, Nilörn Group AB believes that there are convincing factors indicating that these tax loss carryforwards to which the tax receivables are related will be able to be utilized against future taxable surpluses.

### Accounts Receivable and Inventories

Impairment of accounts receivable and inventories is carried out continuously using an impairment ladder based on an age breakdown of the goods presented in the balance sheet as inventories and the receivables presented as accounts receivable. See further Note 18 and 19 for the size of the impairment reserves. The majority of Nilörn Group's inventories are customer-specific and are therefore guaranteed by contract. These are not covered by the impairment ladder but are assessed individually.

### Litigation

Nilörn is not involved in any disputes.

### IntraGroup Receivables and Investments in Subsidiaries (Parent Company)

If the financial performance of any subsidiary deteriorates compared to the company's assessments, an impairment on shares and increased provisioning on receivables, with a negative impact on results, may be necessary.

### Consolidation Principles

The consolidated financial statements include Nilörn Group AB and its subsidiaries. The financial statements of the parent company and subsidiaries included in the consolidated financial statements cover the same period and are prepared in accordance with the accounting principles applicable to the Group. All intra-Group transactions, revenues, expenses, gains, or losses arising from transactions between entities within the scope of consolidation are eliminated in full.

A subsidiary is included in the consolidated financial statements from the date of acquisition, which is the date when the parent company obtains control, and is included in the consolidated financial statements until the date when control ceases. Subsidiaries are included in the consolidated financial statements using the acquisition method. This method involves allocating the acquisition cost to the acquired assets, assumed liabilities, and equity at the acquisition date based on their fair values. The Group's equity includes the parent company's equity and the portion of the subsidiary's equity that has accrued after the acquisition date. Foreign subsidiaries report their financial position and results to the parent company in their functional currency. Conversion is then made to SEK using the spot rate method, meaning that the balance sheet is translated at the exchange rate on the balance sheet date and the income statement at the average rate for the financial year.

Transactions in foreign currencies are translated into the functional currency at the transaction date's exchange rate. Exchange gains and losses arising from foreign currency transactions and from translating monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recognized in the income statement.

Results and balance sheets for all Group companies that have a functional currency different from the reporting currency are translated into the Group's currency by translating all balance sheet items except net income at the balance sheet date's exchange rate and net income at the average rate. All exchange differences are recognized in other comprehensive income.

The consolidated financial statements do not include year-end adjustments in the income statement or untaxed reserves in the balance sheet. In the Group, the tax part of year-end adjustments is treated as tax on the year's profit, while the remaining part is included in the year's profit. Similarly, the tax part of untaxed reserves in the balance sheet is treated as deferred tax liability, while the remaining part is included in the Group's equity. Deferred tax liability has been calculated based on current income tax rates in each country.

The Group's accounting principles have been consistently applied to reporting and consolidating subsidiaries.

### Fixed Assets

#### Intangible and tangible fixed assets

Intangible and tangible fixed assets are reported as assets in the balance sheet if it is deemed likely that the company will benefit from future economic benefits from them and if the acquisition cost can be reliably calculated.

These assets are valued at acquisition cost after deduction for scheduled depreciations and any impairments. Scheduled depreciations are calculated individually for each asset based on its acquisition cost and occur over its estimated useful life. Any residual values are considered insignificant and are not taken into account. Depreciation begins from the acquisition date.

The following ranges show the assessments made for each type of asset:

Intangible Assets	10-20%
Buildings	1,25-10%
Machinery and other technical installations	10-20%
Fixtures, tools, and installations	20-33,3%

Profit or loss arising from the disposal or retirement of intangible and tangible fixed assets consists of the difference between the sales price and the carrying amount. This item is reported as other operating income/cost.

#### Impairment of intangible and tangible fixed assets

The company continuously evaluates the impairment of intangible and tangible fixed assets. If there are indications that the value of an asset may have decreased, its recoverable amount is determined. The recoverable amount is the higher of the asset's net sales value and its utility value. The asset is written down by the amount by which its carrying amount exceeds its recoverable amount, and the cost is charged to the income statement. The utility value of an asset is determined by discounting its future cash flows. To determine the utility value, the assets are Grouped into cash-generating units, which are the smallest Group of assets that generate cash inflows independently of other assets or Groups of assets. The basis for Grouping into cash-generating units is the geographical segments.

Impairment testing and assessment were performed as of December 31, 2023, based on an internal assessment of cash flows for the next five years, with an assumed growth rate of 2 percent. The discount rate before tax was set at 5-31 percent depending on the market.

### Financial instruments

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

- Financial assets valued at fair value either through profit or loss or through other comprehensive income
- Financial assets valued at accrued acquisition cost
- Financial liabilities valued at accrued acquisition cost
- Derivative instruments.

See note 21 for the classification of the Company's financial instruments.

#### Financial assets

Assets held with the purpose of collecting contractual cash flows, where these cash flows consist solely of principal amounts and interest, are valued at accrued acquisition cost. They are included in current assets, except for items with a maturity date of more than 12 months after the balance sheet date, which are classified as non-current assets. Interest income from these financial assets is recognized using the effective interest method and is included in financial income.

Purchases and sales of financial assets are recognized on the trade date, which is the date when the Group commits to buy or sell the asset. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or has been transferred, and the Group has transferred substantially all risks and rewards associated with ownership.

Not 1 continued

### Financial assets

Financial assets are initially valued at fair value plus, in cases where the asset is not valued at fair value through profit or loss, transaction costs directly attributable to the purchase. After the acquisition date, they are recognized at accrued acquisition cost using the effective interest method.

The Group assesses the future expected credit losses associated with assets recognized at accrued acquisition cost. The Group records a credit reserve for such expected credit losses at each reporting date. The loss reserve regarding financial assets is based on assumptions about the risk of default and expected loss levels. The Group makes its own assessments for assumptions and selection of data for the calculation of impairment. These are based on historical data, known market conditions, and forward-looking calculations at the end of each reporting period. For the assessment of credit provisioning for trade receivables, see note 19.

### Financial liabilities

Liabilities are classified as other financial liabilities, meaning that they are initially recognized at the amount received after deduction of transaction costs. After the acquisition date, loans are valued at accrued acquisition cost using the effective interest method. Long-term liabilities have an expected term longer than one year, while short-term liabilities have a term shorter than one year. Financial liabilities are recognized when the counterparty has performed, and a contractual obligation to pay exists, even if an invoice has not yet been received.

Trade payables represent obligations to pay for goods or services acquired in the ordinary course of business from suppliers. Trade payables are classified as short-term liabilities if due within a year or earlier. Otherwise, they are recognized as long-term liabilities.

### Derivative instruments

The Group's derivative instruments are valued at fair value through profit or loss. Outstanding forward contracts are valued at market value on the balance sheet date in accordance with IFRS 9. Level 2 accounting and valuation have been applied in accordance with IFRS 13, p.81-85 when the assessment is that there is significant observable data that can be used for fair value valuation. Valuation is done at fair value based on the balance sheet date and the forward rate for each contract.

### Associate companies

Investments in associate companies where the parent company, at year-end, directly or indirectly owns between 20 and 50 percent of the voting rights or otherwise has significant influence. Associate companies are accounted for using the equity method. In the consolidated balance sheet, shares in associate companies are included in a separate line item among financial non-current assets.

### Revenue recognition

The majority of Nilörn's revenues come from sales of goods. A sale is recognized when substantial risks and rewards have been transferred to the buyer, control over the goods sold is no longer retained, the transaction's value can be reliably measured, and it is probable that the economic benefits associated with the sale will accrue to the company. Nilörn negotiates with clients (brand owners primarily in Europe) for the delivery of customer-specific products, where delivery and invoicing occur to the clients' subcontractors (customers) of the garments (mainly in Asia). This means that all products and inventory are customer-specific, and the customers Nilörn invoices are determined by the client. As Nilörn's revenues are attributable to customer-specific items, there is no fixed price list, and all prices are set individually for each customer. Any discounts are also individual and may be influenced

by factors such as volume, age, and whether the customer guarantees inventory and trade receivables.

Revenue from services rendered is recognized when the services are performed. In the consolidated financial statements, intra-Group sales are eliminated.

### Leasing

Under IFRS 16, companies are required to recognize (a) assets and liabilities for all leases with a term of more than twelve months, except for low-value assets, and (b) depreciation of leased assets separately from the interest expense on the lease in the income statement.

Nilörn Group has chosen to apply the simplification rule for defining a lease, meaning that all components of a lease have been considered to be a lease component. Exceptions for not recognizing short-term leases and low-value assets have also been applied. Management's assessments and assumptions are required to determine extension options for the right of use and the present value of the lease liability. Such assessments and assumptions include identifying a lease, determining the lease term, and identifying the discount rate. The majority of the lease value pertains to lease agreements for office and warehouse properties. Contracts have been handled based on the actual contract period, and there are no significant extension options considered.

### Financial income and expenses

Financial income and expenses consist of interest income on cash and receivables, interest-bearing securities, interest expenses on loans, exchange rate differences, and changes in the value of financial investments. Commissions received or paid on issuance/raising of loans are recognized over the

term of the loan. Additionally, payments related to financial lease contracts are allocated between interest expense and amortization. Interest expense is recognized as financial expense. .

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash inflows and outflows over the expected life of the financial asset or liability to the financial asset's or liability's net carrying amount. Transaction costs, including issuance costs, are expensed immediately when receivables or liabilities are valued at fair value through profit or loss and are recognized over the term when valued at accrued acquisition cost..

### Segment reporting

According to IFRS 8, operating segments should be reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The CEO of Nilörn Group AB is considered the chief operating decision-maker regarding decision-making, resource allocation, and performance monitoring. The report presented monthly to the chief operating decision-maker contains financial information per geographic market and thus represents the segments identified. The market segmentation made relates to the natural delineation of markets in the Group:

- Sweden,
- Rest of Europe
- Asia

Operating costs not included in the segments are reported under Group common costs and primarily include costs for Group management, central staff, etc. Sales between segments occur at market terms and at market prices. The CEO primarily uses revenue and operating profit in assessing the results of the operating segments. Information on segment revenues is found in note 3.

Not 1 continued

### Inventory

Inventory has been valued according to the lower of cost or net realizable value principle, i.e., at the lower of cost and fair value. In determining the cost, the first-in, first-out method has been applied. Fair value consists of estimated selling price less estimated selling costs.

### Taxes

The Group uses the balance sheet method to calculate deferred tax assets and liabilities. The balance sheet method involves calculating based on tax rates as of the balance sheet date applied to temporary differences between the book and tax values of an asset and a liability, as well as tax loss carryforwards. Deferred tax assets are recognized in the balance sheet only to the extent that it is probable that they can be utilized in the foreseeable future. An individual assessment is made for each company. The current nominal tax rate in each country has been used in the calculation of deferred tax.

In the Group's balance sheet, the individual companies' untaxed reserves are divided into equity and deferred tax. In the Group's income statement, deferred tax is recognized as the tax attributable to the year's change in untaxed reserves.

The legislation in some countries allows for provisions to special reserves and funds. Through this, companies can, within certain limits, dispose of and retain reported profits in the business without immediate taxation. The untaxed reserves become subject to taxation only when they are dissolved for purposes other than loss coverage.

The Group's total tax in the income statement consists of current tax on taxable income for the period and deferred tax. Current tax for the period is based on the period's income adjusted for tax-deductible expenses and non-taxable income. Cur-

rent tax is calculated based on tax rates in effect as of the balance sheet date. Deferred tax mainly consists of changes in deferred tax assets related to tax loss carryforwards and other temporary differences, as well as changes in untaxed reserves.

### Contingencies/Liabilities

A contingent liability is recognized when there is a possible obligation arising from past events and whose existence is confirmed only by one or more uncertain future events, or when there is an obligation that is not recognized as a liability or provision because it is not probable that an outflow of resources will be required.

### Pensions

Within Nilörn, mainly defined contribution pension plans exist. Defined benefit pension plans are found in Turkey. The current year's pension expense and the present value of defined benefit obligations for employees in Turkey have been calculated according to the Projected Unit Credit Method. See note 23 for further details. The Group's payments related to defined contribution plans are recognized as expense during the period when the employees render the services to which the contribution relates.

## 2) Financial Risks and Risk Management

Through its operations, the Group is exposed to various types of financial risks. Financial risks refer to fluctuations in the company's income and cash flow due to changes in exchange rates, interest rates, refinancing, and credit risks. The management of the Group's financial risks is concentrated in a central finance function. This function operates based on the finance policy established by the Board of Directors.

The Group's finance function is responsible for capital procurement, liquidity management, and currency and interest rate risk management for the entire Group. The overall objective of the finance function is to provide cost-effective financing and minimize negative effects on the Group's results from market fluctuations.

### Currency Risk

#### Transaction Exposure

Commercial flows with inflows and outflows in different currencies give rise to transaction risk.

Commercial flows mainly occur in the respective subsidiary's own currency, and thus the transaction risk is assessed as low and is not hedged against currency movements. However, in companies where purchases and/or sales are made in another currency, there is an opportunity for currency hedging through forward contracts. The majority, about 90 percent, of Nilörn Group's revenue is generated in a currency other than the Group's reporting currency. However, revenue and expenses are matched through local purchases and sales by the subsidiaries in their respective currency areas. This means that the impact of currency on the Group's net

result is limited but has a significant effect on individual items in the consolidated income statement such as Net revenue, raw materials, supplies, and merchandise, etc. This means that a 10 percent strengthening of SEK negatively affects the Group's revenue by approximately SEK 90 million and net profit by approximately SEK 4 million. Counterparties in derivative transactions consist solely of creditworthy banks, with a minimum long-term rating of AA- according to S&P. Market valuation according to IFRS 9 Financial Instruments: Accounting and valuation are performed continuously, meaning that unrealized gains and losses are recognized in the income statement.

In addition to the transaction exposure described above, the Group is affected by currency movements through the receivables and liabilities incurred in foreign currencies. The majority of the risks that arise should be covered either through financing in the respective company's local currency or through forward hedging.

#### Sensitivity analysis as of the balance sheet date

Nilörn Group's receivables and liabilities are hedged against currency fluctuations, which means that there is no significant risk of currency movements affecting the results.

The currency that is not hedged and could have a significant impact is TRY. With an increase/decrease of 10 percentage points as of the balance sheet date, this has a positive/negative net impact on profit before tax totaling SEK 1.1 million.

#### Translation exposure

Nilörn reports its income statement and balance sheet in SEK. The majority of the Group's subsidiary companies report in a currency other than SEK, which means that Nilörn's consolidated income

## Not 2 continued

statement and equity are exposed to exchange rate movements. This currency risk is referred to as translation exposure.

Expected future results and equity in foreign subsidiary companies are not hedged. Upon the sale of a foreign subsidiary company, the translation difference is transferred to the income statement and thus affects the result.

## Interest Rate Risk

Interest rate risk refers to the risk that the Group's exposure to changes in market interest rates may negatively affect net income. Management of the Group's interest rate exposure is centralized, meaning that the central finance function is responsible for identifying and managing this exposure. The maturity and terms of loans taken are determined based on Nilörn's future liquidity needs, prevailing interest rates, and other factors in the loan market, which may be relevant at the time of borrowing. Nilörn has good solvency, and the need for loans primarily relates to working capital financing in countries without overdraft facilities. The interest expense is estimated to increase by approximately 0.6 million SEK with a 1 percentage point increase in the loan interest rate.

Surplus liquidity is primarily used to reduce external debt.

## Funding Risk

Nilörn has an overdraft facility totaling 161 million SEK, of which 88 million SEK was utilized as of December 31, 2023. The company's need for external financing may increase over time. The company's ability to pay its debts, otherwise meet its obligations, and comply with the terms and conditions regarding the overdraft facility as well as the company's general ability to obtain loans on favorable terms or at all and make payments in accordance

with its commitments depend, among other things, on the company's future results. Some aspects of the company's future results depend on economic, financial, competitive, and other factors beyond Nilörn's control. If the company fails to meet its obligations under the overdraft agreement or breaches any of the loan terms in the future, this could have a materially adverse impact on the company's operations, results, and financial position. Continuous dialogue is maintained with the Group's main bank regarding financing the Group. Covenants exist with the company's lenders.

## Credit Risk

The risk that the Group's customers do not fulfill their obligations, i.e., that Nilörn does not receive payment for its accounts receivable, constitutes a customer credit risk. Nilörn applies credit checks to its customers, where information on customers' financial positions is obtained from various credit reporting agencies. Monitoring of outstanding receivables is ongoing, and reminders and interest invoices are sent out when necessary. The Group's outstanding accounts receivable are reviewed, and individual risk assessments are made based on client guarantees, maturity, expected credit losses, and history.

## Repayment periods for interest-bearing debts

## Long-term liabilities to credit institutions as of 2023-12-31

	Reported value	Currency	Maturity	Interest
Lease liabilities	8 706			
<b>Closing balance</b>	<b>8 706</b>			

## Long-term liabilities to credit institutions as of 2022-12-31

	Reported value	Currency	Maturity	Interest
Property loan Nilörn Property UK	23 118	GBP	29/04/2024	6.70%
Loan Nilörn Bangladesh	2 200	USD	31/07/2024	7.37%
Lease liabilities	5 430			
<b>Closing balance</b>	<b>30 748</b>			

## Maturity analysis regarding undiscounted liabilities

	Per 31 december 2023		
	0-3 months	4-12 months	1-5 Years
Debts to credit institutions	13 309	74 548	-
Lease liabilities	3 732	11 197	8 706
Accounts payable	69 482	-	-
Other current liabilities	28 257	4 848	-
<b>Closing balance</b>	<b>117 516</b>	<b>-</b>	<b>8 706</b>

	Per 31 december 2022		
	0-3 months	4-12 months	1-5 Years
Debts to credit institutions	-	48 486	25 318
Lease liabilities	4 097	12 289	5 430
Accounts payable	62 432	-	-
Derivative instruments	807	-	-
Other current liabilities	39 507	-	-
<b>Closing balance</b>	<b>119 132</b>	<b>48 486</b>	<b>30 748</b>

## Credit agreements/loans entered into by the Group

	Amount	Amount	Amount	Amount
	utilized per	utilized per	utilized per	utilized per
	31 december 2023	31 december 2023	31 december 2023	31 december 2023
	(TSEK)	(TSEK)	(TSEK)	(TSEK)
Overdraft facilities	125 733	51 891	81 004	35 210
Loan	35 617	35 617	38 948	38 948
<b>Closing balance</b>	<b>161 350</b>	<b>87 508</b>	<b>119 952</b>	<b>74 158</b>

### 3) Reporting over geographic areas

Primary segments - geographic areas

	Sweden	Other Europa	Asia	Group activities	Total
<b>2023 Financial Year</b>					
<i>Revenue</i>					
External revenue	42 534	356 764	470 471	-	869 769
<b>Total revenue</b>	<b>42 534</b>	<b>356 764</b>	<b>470 471</b>	<b>-</b>	<b>869 769</b>
<i>Profit</i>					
Depreciation	-4 441	-8 360	-18 394	-	-31 195
Operating profit	6 086	23 824	35 249	-2 162	62 997
Interest income	-	-	-	2 325	2 325
Interest expense	-	-	-	-12 758	-12 758
Taxes on the year's profit	-	-	-	-13 176	-13 176
<b>Profit of the year</b>	<b>6 086</b>	<b>23 824</b>	<b>35 249</b>	<b>-25 771</b>	<b>39 388</b>
<b>Intangible and Tangible fixed assets</b>					
	<b>51 945</b>	<b>61 028</b>	<b>32 719</b>	<b>11 743</b>	<b>157 435</b>
<b>2022 Financial Year</b>					
<i>Revenue</i>					
External revenue	52 361	327 891	562 559	-	942 811
<b>Total revenue</b>	<b>52 361</b>	<b>327 891</b>	<b>562 559</b>	<b>-</b>	<b>942 811</b>
<i>Profit</i>					
Depreciation	-4 210	-7 053	-18 658	-	-29 921
Operating profit	13 601	51 955	72 937	-2 078	136 415
Interest income	-	-	-	745	745
Interest expense	-	-	-	-4 743	-4 743
Taxes on the year's profit	-	-	-	-31 417	-31 417
<b>Profit of the year</b>	<b>13 601</b>	<b>51 955</b>	<b>72 937</b>	<b>-37 493</b>	<b>101 000</b>
<b>Intangible and Tangible fixed assets</b>					
	<b>43 643</b>	<b>59 704</b>	<b>35 230</b>	<b>10 485</b>	<b>149 062</b>

All turnover refers to the sale of goods and none of the Group's customers account for 10 percent or more of the external turnover.

### 4) Purchases and sales within the Group

Apart from dividends to the shareholders, no transactions between Nilörn and related parties that significantly affected the Group's results and financial position took place during the period.

The parent company Nilörngruppen AB does not sell goods, nor does it purchase any goods from subsidiaries.

The parent company's Net revenue refers exclusively to remuneration from subsidiaries in the form of design and IT services and other administrative remuneration. Sales and purchases between Group companies take place at market price.

Regarding salaries and fees for management and the Board, see note 8.

## 5) Other operating revenue

	Group		Parent Company	
	2023	2022	2023	2022
Gain on sale of non-current assets	37	778	-	-
Exchange rate gains on receivables/liabilities of an operating nature	17 241	26 214	-	-
Other	8 114	5 455	-	88
<b>Total other operating revenue</b>	<b>25 392</b>	<b>32 447</b>	<b>-</b>	<b>88</b>

## 6) Audit fees

	Group		Parent Company	
	2023	2022	2023	2022
Fees and cost reimbursement				
<b>PWC</b>				
Audit assignments	1 315	-	687	-
Other auditrelated assignments	-	-	-	-
Tax advice	-	-	-	-
Other assignments	-	-	-	-
<b>KPMG</b>				
Audit assignments	-	1 416	-	556
Other auditrelated assignments	-	-	-	-
Tax advice	-	-	-	-
Other assignments	-	-	-	-
<b>Other auditors</b>				
Audit assignments	845	529	-	-
Other auditrelated assignments	-	-	-	-
Tax advice	143	118	-	-
Other assignments	91	48	-	-
<b>Total audit fees and cost reimbursement</b>	<b>2 394</b>	<b>2 111</b>	<b>687</b>	<b>556</b>

## 7) Other operating expenses

	Group		Parent Company	
	2023	2022	2023	2022
Capital losses	19	61	-	-
Exchange rate losses on receivables/liabilities of an operating nature	15 551	17 093	-	-
<b>Summary other operating expenses</b>	<b>15 570</b>	<b>17 154</b>	<b>-</b>	<b>-</b>





## 8) Employees, salaries and other compensation

Average number of employees (where of women)

	Group		Parent Company	
	2023	2022	2023	2022
Sweden	45 (21)	46 (23)	28 (10)	26 (8)
Denmark	6 (3)	6 (3)		
Germany	44 (29)	33 (20)		
Belgium	9 (7)	7 (5)		
Turkey	39 (20)	41 (21)		
United Kingdom	28 (16)	29 (16)		
Portugal	86 (55)	74 (49)		
USA	1 (0)	1 (0)		
India	18 (5)	20 (7)		
Bangladesh	162 (5)	165 (5)		
China	30 (19)	30 (18)		
Pakistan	20 (1)	16 (1)		
Hong kong	105 (69)	119 (79)		
<b>Total average number of employees</b>	<b>(593) (250)</b>	<b>587 (247)</b>	<b>28 (10)</b>	<b>26 (8)</b>

Number of directors and senior executives on the balance sheet day  
(of whom women)

	Group		Parent Company	
	2023	2022	2023	2022
Directors	4 (1)	5 (1)	4 (1)	5 (1)
CEOs and others senior executives	17 (5)	12 (2)	3 (1)	2 (-)
<b>Total number of directors and senior executives</b>	<b>21 (6)</b>	<b>17 (3)</b>	<b>7 (2)</b>	<b>7 (1)</b>

Salaries, other compensation and social benefits

	Group		Parent Company	
	2023	2022	2023	2022
Salaries and other compensation	170 557	154 115	14 123	13 372
Social benefits	21 977	20 542	5 420	4 907
Pension costs	10 869	9 005	2 826	1 722
<b>Totals compensation</b>	<b>203 403</b>	<b>183 662</b>	<b>22 369</b>	<b>20 001</b>

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### 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

	2023	2022
Chairman of the Board of Directors, Petter Stillström	240	240
Ann-Christine Hvittfeldt	120	120
Magnus Johansson	120	120
Johan Larsson	120	120
Henrik Lange	-	120
<b>Total compensation the Board of Directors</b>	<b>600</b>	<b>720</b>

#### CEO

Compensation to Nilörngruppen AB's Chief Executive Officer for 2023 has been decided by the Board of Directors and amounted during the financial year to 2 007 TSEK (2 743), of which 0 TSEK (900) was a bonus. The notice period for the CEO is mutual nine months.

#### Other senior executives

Compensation for other senior executives in the group has been decided by the CEO after discussion in the compensation committee. Salaries and other compensation for other senior executives in the group amounted to 1,913 TSEK (0) during the fiscal year 2023. Other senior executives in the group refer to those individuals who, together with the CEO, constitute the Nilörn Group Management. The Group Management during 2023 consisted of four individuals, including the CEO: Krister Magnusson, Anna-Karin Wårfors, Fredrik Clason, and Andrew Hoppe. Anna-Karin Wårfors is employed by Nilörngruppen AB, Fredrik Clason is employed by Nilörn AB, and Andrew Hoppe is employed by Nilörn East Asia Ltd. The variable component for other senior executives in the parent company and for CEOs in subsidiary companies is based on the respective subsidiary companies' performance and is capped at between 0 and 6 monthly salaries, depending on the country and position. There are no agreements regarding severance pay.

#### Pension Commitments

Within the group, there are defined benefit pension obligations in Turkey, which have been calculated according to the Projected Unit Credit Method. See also note 19.

#### Pension Cost

The group's total cost for defined contribution pension plans is 10,869 TSEK (9,005), of which paid premiums in Sweden amount to 4,197 TSEK (3,069).

### Compensation and other benefits to other members of senior management

	Basic salary compensation	Variable	Other benefits	Pension cost	Total	Social Benefits Parent Company
<b>2023</b>						
President	1 944	-	63	487	2 494	749
Other members of senior management, Parent Company	1 791	-	122	390	2 303	696
<b>Total</b>	<b>3 735</b>	<b>-</b>	<b>185</b>	<b>877</b>	<b>4 797</b>	<b>1 444</b>
Presidents of subsidiaries in Group management	3 337	-	-	116	3 453	-
Presidents, subsidiaries	10 541	762	1 079	823	13 205	-
<b>Group total</b>	<b>20 986</b>	<b>762</b>	<b>1 264</b>	<b>1 816</b>	<b>24 828</b>	
<b>2022</b>						
President	1 780	900	63	409	3 152	961
Other members of senior management, Parent Company	-	-	-	-	-	-
<b>Total</b>	<b>1 780</b>	<b>900</b>	<b>63</b>	<b>409</b>	<b>3 152</b>	<b>961</b>
Presidents of subsidiaries in Group management	3 102	359	361	107	3 929	-
Presidents, subsidiaries	9 449	1 570	1 063	413	12 495	-
<b>Group total</b>	<b>14 331</b>	<b>2 829</b>	<b>1 487</b>	<b>929</b>	<b>19 576</b>	

## 9) Taxes

### Taxes on the year's profit

	Group		Parent Company	
	2023	2022	2023	2022
Current taxes	12 314	28 606	1 352	1 355
Deferred taxes	862	2 811	-	-
<b>Total taxes on the year's profit</b>	<b>13 176</b>	<b>31 417</b>	<b>1 352</b>	<b>1 355</b>

### Reconciliation of reported taxes

	Group		Parent Company	
	2022	2021	2022	2021
Profit before taxes	52 564	132 417	34 533	59 847
Taxes according to current tax rate 20.6%	10 828	27 278	7 114	12 328
Non-deductible expenses	2 878	2 268	4 802	43
Non-taxable income	-3 490	-2 668	-11 916	-11 889
Gains in Group companies for which tax expenses are not recognised	-1 376	-212	-	-
Losses in Group companies for which deferred tax assets are not recognised	2 362	332	-	-
Adjustment in previous year's tax assessment	-23	-20	2	-
Revaluation of deferred tax assets	1 204	1 959	-	-
Foreign tax rates	-1 244	-2 424	-	-
Received tax credits	-	-3 103	-	-
Other taxes	2 037	8 008	1 350	874
<b>Reported effective taxes</b>	<b>13 176</b>	<b>31 417</b>	<b>1 352</b>	<b>1 355</b>

As of December 31, 2023, the group has tax loss carryforwards amounting to 20,032 TSEK. These tax loss carryforwards have been assessed as likely to be utilized against future taxable surpluses. Deferred tax assets attributable to these tax loss carryforwards amount to 5,008 TSEK and relate to loss carryforwards in Belgium, which can be utilized indefinitely. The operations in Belgium are expected to generate future surpluses. Therefore, Nilörn believes that there are compelling factors indicating that these tax loss carryforwards, to which the deferred tax assets are attributable, will be able to be utilized against future taxable surpluses.

### Deferred tax asset

Change	Group	
	2023	2022
Opening balance	8 439	10 034
Revaluation of deferred tax assets	-49	364
Leasing	5 165	4 738
Netting of leasing	-4 869	-4 494
Other temporary differences	-1 380	-2 420
Effect of exchange rate fluctuations	-171	217
<b>Closing balance</b>	<b>7 135</b>	<b>8 439</b>

### Specification

Internal profit	117	117
Tax losses	5 008	5 269
Leasing	296	244
Other temporary differences	1 714	2 809
<b>Closing balance</b>	<b>7 135</b>	<b>8 439</b>

### Deferred tax liability

Change	Group	
	2023	2022
Opening balance	5 922	5 022
Other temporary differences	15	255
Leasing	4 869	4 494
Netting of leasing	-4 869	-4 494
Untaxed reserves	-415	633
Effect of exchange rate fluctuations	19	12
<b>Closing balance</b>	<b>5 541</b>	<b>5 922</b>

### Specification

Other temporary differences	2 584	2 550
Untaxed reserves	2 957	3 372
<b>Total deferred tax liability</b>	<b>5 541</b>	<b>5 922</b>

### Net change deferred tax

Change	Group	
	2023	2022
Opening balance	2 517	5 012
Tax reported in the profit	-862	-2 811
Effect of exchange rate fluctuations	-62	316
<b>Closing balance</b>	<b>1 593</b>	<b>2 517</b>

## 10) Goodwill with indefinite useful life

	Group	
	2023	2022
Opening cost	10 485	-
Acquisitions	1 258	10 485
<b>Closing cost</b>	<b>11 743</b>	<b>10 485</b>
<b>Carrying value at year-end</b>	<b>11 743</b>	<b>10 485</b>

The recognized goodwill in the Group relates to the acquisition of subsidiary companies in Switzerland and is thus included in the segment of Other Europe.

The Group conducted its annual impairment test as of December 31, 2023, on a cash-generating unit consisting of the acquired company.

The recoverable amount of goodwill as of December 31, 2023, amounted to 67,979 KSEK and is comprised of the present value calculated using cash flow projections from the budget over a 5-year period, where the Group management prepares the budgets. The pre-tax discount rate used to discount the cash flows is 9.7 percent, and cash flows beyond the 5-year period are extrapolated with a 2.0 percent growth rate. Thus, no impairment has been recognized.

### Key assumptions used in calculating the recoverable amount and sensitivity analysis:

#### Discount rate

The discount rate has been determined using the weighted average cost of capital (WACC). Consideration has been given to the company's asset beta, tax rate, and estimated gearing ratio. The company has also assessed its specific risk premium and the long-term borrowing rate for the company (before and after tax). An increase in the discount rate by 1.0 percentage point would result in a decreased recoverable amount of 13,814 kSEK. A decrease in the discount rate by 1.0 percentage point would result in an increased recoverable amount of 23,230 kSEK.

## 11) Intangible non-current assets

### Intangible non-current assets, externally acquired

	Group		Parent Company	
	2023	2022	2023	2022
Opening cost	47 077	39 856	38 855	32 829
Capital expenditures during the year	12 092	6 085	11 695	6 026
Sales and disposals during the year	-7 442	-	-7 442	-
Effect of exchange rate fluctuations	-536	1 136	-	-
<b>Closing cost</b>	<b>51 191</b>	<b>47 077</b>	<b>43 108</b>	<b>38 855</b>
Opening accumulated depreciation and amortization according to plan	18 943	14 239	12 568	9 256
Depreciation and amortisation according to plan during the year	3 948	3 718	3 500	3 312
Depreciation and amortisation according to plan on assets sold and disposed of during the year	-7 442	-	-7 442	-
Effect of exchange rate changes	-504	986	-	-
<b>Closing accumulated depreciation and amortization according to plan</b>	<b>14 945</b>	<b>18 943</b>	<b>8 626</b>	<b>12 568</b>
<b>Carrying value at year-end</b>	<b>36 246</b>	<b>28 134</b>	<b>34 482</b>	<b>26 287</b>

### Other intangible non-current assets, internally generated

	Group		Parent Company	
	2023	2022	2023	2022
Opening cost	9 064	9 064	9 064	9 064
<b>Closing cost</b>	<b>9 064</b>	<b>9 064</b>	<b>9 064</b>	<b>9 064</b>
Opening accumulated depreciation and amortisation according to plan	9 064	9 064	9 064	9 064
<b>Closing accumulated depreciation and amortisation according to plan</b>	<b>9 064</b>	<b>9 064</b>	<b>9 064</b>	<b>9 064</b>
<b>Carrying value at year-end</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Reported values of intangible non-current assets

	Group		Parent Company	
	2023	2022	2023	2022
Goodwill	11 743	10 485	-	-
Other intangible non-current assets, externally generated	36 246	28 134	34 482	26 287
<b>Total</b>	<b>47 989</b>	<b>38 619</b>	<b>34 482</b>	<b>26 287</b>

*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.*

## 12) Tangible non-current assets

### Buildings and Land

	Group	
	2023	2022
Opening cost	57 094	55 107
Investments during the year	296	422
Effect of exchange rate fluctuations	378	1 565
<b>Closing cost</b>	<b>57 768</b>	<b>57 094</b>
Opening accumulated depreciation according to plan	8 448	6 881
Depreciation according to plan during the year	1 035	1 269
Effect of exchange rate fluctuations	49	298
<b>Closing accumulated depreciation according to plan</b>	<b>9 532</b>	<b>8 448</b>
<b>Carrying value at year-end</b>	<b>48 236</b>	<b>48 646</b>

### Plant and Machinery

	Group	
	2023	2022
Opening cost	71 701	69 551
Investments during the year	3 168	5 538
Sales and disposals during the year	-1 880	-5 787
Reclassification	-	396
Effect of exchange rate fluctuations	-2 069	2 003
<b>Closing cost</b>	<b>70 920</b>	<b>71 701</b>
Opening accumulated depreciation according to plan	46 717	46 653
Depreciation according to plan according to plan	4 848	4 596
Depreciation according to plan on assets sold and disposed of	-1 851	-5 782
Effect of exchange rate fluctuations	-1 044	1 250
<b>Closing accumulated depreciation according to plan</b>	<b>48 670</b>	<b>46 717</b>
<b>Carrying value at year-end</b>	<b>22 250</b>	<b>24 984</b>

### Equipment, Tools, Fixtures and Fittings

	Group		Parent Company	
	2023	2022	2023	2022
Opening cost	52 623	47 929	4 209	4 027
Investments during the year	3 429	3 354	895	182
Sales and disposals during the year	-522	-533	-466	-
Effect of exchange rate fluctuations	-1 775	1 874	-	-
<b>Closing cost</b>	<b>53 755</b>	<b>52 623</b>	<b>4 638</b>	<b>4 209</b>
Opening accumulated depreciation according to plan	38 379	33 873	3 592	3 371
Depreciation according to plan during the year	2 743	2 756	259	221
Depreciation according to plan on assets sold and disposed of	-522	-175	-466	-
Effect of exchange rate fluctuations	-1 355	1 925	-	-
<b>Closing accumulated depreciation according to plan</b>	<b>39 245</b>	<b>38 379</b>	<b>3 385</b>	<b>3 592</b>
<b>Redovisat värde vid årets slut</b>	<b>14 510</b>	<b>14 244</b>	<b>1 253</b>	<b>617</b>

### Carrying values of tangible non-current assets

	Group		Parent Company	
	2023	2022	2023	2022
Buildings and land	48 236	48 646	-	-
Plant and machinery	22 250	24 984	-	-
Equipment, tools, fixtures and fittings	14 510	14 244	1 253	617
Leasing according to IFRS 16	24 451	22 569	-	-
<b>Total</b>	<b>109 447</b>	<b>110 443</b>	<b>1 253</b>	<b>617</b>

## 13) Leasing

The majority of Nilörn Group's leasing agreements pertain to lease contracts for office and warehouse properties. The table below presents the Group's closing balances concerning right-of-use assets as well as movements during the years.

### Rental agreements

	<b>2023</b>	<b>2022</b>
Opening cost	90 911	79 907
Investments during the year	21 108	1 614
Effect of exchange rate changes	-1 188	9 390
<b>Closing cost</b>	<b>110 831</b>	<b>90 911</b>
Opening accumulated depreciation according to plan	68 342	45 147
Depreciation according to plan during the year	18 233	17 582
Effect of exchange rate changes	-195	5 613
<b>Closing accumulated depreciation and impairment charges</b>	<b>86 380</b>	<b>68 342</b>
<b>Carrying value at year-end</b>	<b>24 451</b>	<b>22 569</b>

Amounts reported in the Group's income statement for the financial year attributable to leasing activities.

	<b>2023</b>	<b>2022</b>
Depreciation on right-to-use assets	18 233	17 582
Interest expenses on loan liabilities	794	884
Cost for short-term leasing/assets with low value amounts	5 630	4 476

The group's total cash flow for lease payments amounted to 19 557 (18 861)

## 14) Shares in Group companies

### Group companies - Scope of holding

Company	Currency	Nominal value	Number	Capital-shares	Carrying value	
					2023	2022
Nilörn AB	TSEK	100	1 000	100	6 400	6 400
Nilörn Denmark A/S	TDKK	1 800	3 600	100	6 119	12 845
Nilorn Belgium N.V.	TEUR	1 583	17 403	100	6 975	6 975
Nilorn Germany GmbH	TEUR	140	-	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	16 088	5 835
Nilorn India Pvt Ltd	TINR	8 000	10 000	100	1 156	1 156
Nilorn Pakistan Ltd	TPKR	12 761	12 761	100	-	-
Nilörn Bangladesh	BDT	3 400	3 400 000	100	4 904	4 904
Nilorn Distribution Center GmbH	TEUR	25	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	-	100	100	-	-
Bally Labels AG	TCHF	100	1 000	90	15 797	16 775
					<b>130 927</b>	<b>128 378</b>

	Parent Company	
	2023	2022
Carrying value at the beginning of the year	128 378	111 139
Acquisition	1 977	16 775
Regulation purchase price	-2 955	-
Shareholder contribution	25 742	464
Write-downs	-22 215	-
<b>Carrying value at year-end</b>	<b>130 927</b>	<b>128 378</b>

The following subsidiary company is exempt from the obligation to prepare notes and, if applicable, a management report in accordance with the provisions for companies and to apply the provisions on publication according to § 264 (3) of the German Commercial Code (HGB): Nilorn Distribution Centre GmbH

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## Subsidiaries shares in subsidiaries

Company	Currency	Nominal value	Share	Capital-stake	Carrying value	
					2023	2022
<b>Nilörn AB</b>						
Nilorn USA East	TSEK	964	-	100	964	964
					<b>964</b>	<b>964</b>
<b>Nilorn UK Ltd</b>						
Nilorn Portugal Indústria de						
Etiquetas Lda, Portugal	TEUR	50	-	100	400	400
Lee & Ferreira Lda, Portugal	TEUR	2	-	100	24	24
					<b>424</b>	<b>424</b>
<b>Nilorn East Asia Ltd</b>						
Borås Trading						
Borås Trading	THKD	-	-	-	-	-
Nilorn Shanghai	TCNY	1 336	-	100	1 749	1 749
Nilorn Vietnam	TUSD	30	-	100	546	-
					<b>1 749</b>	<b>1 749</b>

## 15) Shares in associated companies

	Group	
	2023	2022
Opening value	-	-
<b>Carrying value at year-end</b>	<b>-</b>	<b>-</b>

Company	Domicile	Share	Carrying value	Proportion of equity
Calmon Abacus Textiles Private Ltd	Indien	49	-	1 006
		-	-	<b>1 006</b>

## 16) Long-term receivables

	Group	
	2023	2022
Opening balance	4 032	3 345
New lending	31	16
Financial leases	-5	236
Repayments	-	-17
Effect of exchange rate changes	-143	452
<b>Closing balance</b>	<b>3 915</b>	<b>4 032</b>

## 17) Due from Group companies

## Long-term receivables

	Parent Company	
	2023	2022
Opening balance	23 311	6 209
New lending	-	19 394
Repayments	-23 311	-3 365
Effect of exchange rate changes	-	1 073
<b>Closing balance</b>	<b>-</b>	<b>23 311</b>

## 18) Inventories

	Group	
	2023	2022
Raw materials and supplies	19 266	19 770
Work in progress	645	515
Finished products and goods for resale	145 902	191 845
<b>Total Inventories</b>	<b>165 813</b>	<b>212 130</b>

### Change in obsolescence reserve

	Group	
	2023	2022
At beginning of year	14 986	16 337
Reserves added during the year	1 961	1 706
Utilised reserves	-3 209	-3 058
<b>Carrying value at year-end</b>	<b>13 738</b>	<b>14 986</b>

## 19) Trade receivables

The provision of trade receivables is made after individual assessment. In accordance with IFRS 9. As of 31 december 2023 the carrying value of the reserve for doubtful accounts receivable amounted to 6 474 TSEK (6 109). The carrying value of the reserve has evolved as follows:

### Reserve for doubtful accounts receivable

	Group	
	2023	2022
Opening balance	6 109	5 826
Reserves added during the year	707	1 415
Utilised reserves	-	-70
Reversed unutilised reserves	-166	-1 623
Effect of exchange rate fluctuations	-176	560
<b>Carrying value at year-end</b>	<b>6 474</b>	<b>6 109</b>

The age distribution of the net worth of trade receivables is distributed as follows:

	Group		Parent Company	
	2023	2022	2023	2022
Receivables not past due	54 045	49 769	16	50
Receivables past-due <30 days	27 210	26 209	-	-
Receivables past-due 30-60 days	11 712	8 912	-	-
Receivables past-due 60-90 days	7 670	6 933	-	-
Receivables past-due 90-120 days	2 461	2 231	-	-
Receivables due in >120 days	3 265	4 955	-	-
<b>Net total value of trade receivables</b>	<b>106 363</b>	<b>99 009</b>	<b>16</b>	<b>50</b>

Other short-term receivables. As of 31 December 2023, the booked reserve for doubtful other receivables amounted to 0 TSEK (0).

## 20) Prepaid expenses and accrued revenue

	Group		Parent Company	
	2023	2022	2023	2022
Prepaid insurance	1 343	1 392	194	16
Prepaid license fees	782	711	672	571
Prepaid advertising and trade show expenses	416	335	-	-
Prepaid cost of goods sold	2 296	1 763	-	-
Prepaid consulting fees	142	15	-	-
Other prepaid expenses	1 874	2 905	234	171
Accrued income	2 738	177	280	140
<b>Total prepaid costs and accrued revenue</b>	<b>9 591</b>	<b>7 298</b>	<b>1 380</b>	<b>898</b>



## 21) Financial Instruments

Group	2023-21-31		2022-21-31	
	Reported value	Fair value	Reported value	Fair value
<i>Financial assets valued at accrued acquisition cost</i>				
Other non-current assets	3 915	3 915	4 032	4 032
Trade receivables	106 363	106 363	99 009	99 009
Other current receivables	11 969	11 969	14 283	14 283
Cash and cash equivalents	104 719	104 719	113 085	113 085
<i>Financial assets valued at fair value either through profit or loss</i>				
Derivative instruments	748	748	-	-
<b>Closing balance financial assets</b>	<b>227 714</b>	<b>227 714</b>	<b>230 409</b>	<b>230 409</b>
<i>Financial liabilities valued at accrued acquisition cost</i>				
Interest bearing liabilities to credit institutions	87 857	87 857	73 804	73 804
Leasing liabilities	23 635	23 635	21 816	21 816
Trade payables	69 482	69 482	62 432	62 432
Other current liabilities	33 105	33 105	39 507	39 507
<i>Financial assets valued at fair value either through profit or loss</i>				
Derivative instruments	-	-	807	807
<b>Closing balance financial liabilities</b>	<b>214 079</b>	<b>214 079</b>	<b>198 366</b>	<b>198 366</b>

Parent Company	2023-21-31		2022-21-31	
	Reported value	Fair value	Reported value	Fair value
<i>Financial assets valued at accrued acquisition costs</i>				
Trade receivables	16	16	50	50
Receivables with group companies	102 587	102 587	100 783	100 783
Other current receivables	970	970	2 297	2 297
<i>Financial assets valued at fair value either through profit or loss</i>				
Derivative instruments	748	748	-	-
<b>Closing balance financial assets</b>	<b>104 321</b>	<b>104 321</b>	<b>103 130</b>	<b>103 130</b>
<i>Financial liabilities valued at accrued acquisition cost</i>				
Interest bearing liabilities to credit institutions	29 653	29 653	17 810	17 810
Trade payables	2 981	2 981	800	800
Skulder till koncernföretag	51 581	51 581	38 204	38 204
Other current liabilities	8 086	8 086	17 207	17 207
<i>Financial liabilities valued at accrued acquisition cost</i>				
Derivative instruments	-	-	807	807
<b>Closing balance financial assets</b>	<b>92 301</b>	<b>92 301</b>	<b>74 828</b>	<b>74 828</b>

## 22) Derivative Instruments

The table below shows the Group's outstanding currency forward contracts as of December 31, 2023. All are officially traded currencies, and the contracts are rolled over on average every three months. At year-end, all outstanding contracts mature on March 17, 2023. The Group has no other derivative instruments.

The gain and loss from valuation of the contracts, as of December 31, 2023, amounted to 1,050 TSEK (45) and 302 TSEK (852), respectively.

### Outstanding Forward Exchange Contracts as of 31 December 2023

Currency	Hedged volume		Countervalue in SEK	Maturity Date
	in KSEK	Rate on blance sheet date		
HKD	-16 073	1.2855	-20 662	17/03/2024
EUR	424	11.0960	-4 705	17/03/2024
GBP	-894	12.7680	-11 415	17/03/2024
DKK	407	1.4888	606	17/03/2024
USD	12	10.0416	120	17/03/2024
CHF	339	11.9827	4 062	17/03/2024
Countervalue SEK	32 741	1.000	32 741	17/03/2024
<b>Fair value as of the balance sheet date</b>			<b>748</b>	

### Outstanding Forward Exchange Contracts as of 31 december 2022

Valuta	Hedged volume		Countervalue in SEK	Maturity Date
	in KSEK	Rate on blance sheet date		
HKD	-19 332	1.3385	-25 876	17/03/2023
EUR	-2 149	11.1283	-23 915	17/03/2023
GBP	-278	12.5811	-3 498	17/03/2023
DKK	132	1.4965	198	17/03/2023
USD	33	10.4371	344	17/03/2023
CHF	150	0.5575	84	17/03/2023
Countervalue SEK	51 856	1.000	51 856	17/03/2023
<b>Fair value as of the balance sheet date</b>			<b>-807</b>	

## 23) Long-term provisions

	Group	
	2023	2022
Defined benefit pension plans	806	1 096
<b>Total provisions</b>	<b>806</b>	<b>1 096</b>

### Defined benefit pension plans

	Group	
	2023	2022
At beginning of year	1 096	690
Benefits earned during the year	1 168	729
Benefits paid	-982	-128
Effect of exchange rate changes	-476	-195
<b>Carrying value of provision for pensions at year-end</b>	<b>806</b>	<b>1 096</b>

## 24) Accrued expenses and prepaid income

	Group		Parent Company	
	2023	2022	2023	2022
Accrued salary and holiday pay liabilities	11 998	17 983	3 250	4 959
Accrued social benefits	4 871	5 393	2 153	2 402
Accrued interest	370	58	-	-
Accrued audit expenses	1 592	1 218	276	460
Accrued commission expenses	12 600	12 267	-	-
Accrued freight costs	632	957	-	-
Accrued cost of goods	6 492	6 378	-	-
Other	6 671	7 267	1 034	780
<b>Total accrued expenses and prepaid income</b>	<b>45 226</b>	<b>51 521</b>	<b>6 713</b>	<b>8 601</b>

## 25) Pledged assets

	Group		Parent Company	
	2023	2022	2023	2022
<i>For liabilities to credit institutions</i>				
Shares in Group companies	-	-	6 400	6 400
Corporate mortgages and similar	6 000	6 000	-	-
<b>Total pledged assets</b>	<b>6 000</b>	<b>6 000</b>	<b>6 400</b>	<b>6 400</b>

## 26) Contingent liabilities

	Group		Parent Company	
	2023	2022	2023	2022
Guarantees for subsidiaries	-	-	13 941	13 844
Other contingent liabilities	1 814	1 821	-	-
<b>Total contingent liabilities</b>	<b>-</b>	<b>-</b>	<b>13 309</b>	<b>13 809</b>

## 27) Reconciliation of posts attributable to the Investment Activities

Group	31/12/2022	Cashflow	Non-cash flow impacting items	
			Additional lease agreements	31/12/2023
Liabilities to credit institutions	73 804	14 052	-	87 856
Interest bearing lease liabilities	21 816	-18 657	20 476	23 635
Other payables	7 018	-639	-	6 379
<b>Total liabilities related to financing activities</b>	<b>102 638</b>	<b>-5 244</b>	<b>20 476</b>	<b>117 870</b>

Group	31/12/2021	Cashflow	Non-cash flow impacting items	
			Additional lease agreements	31/12/2023
Liabilities to credit institutions	41 239	32 565	-	73 804
Interest bearing lease liabilities	34 422	-17 885	5 279	21 816
Other payables	5 766	1 252	-	7 018
<b>Total liabilities related to financing activities</b>	<b>81 427</b>	<b>15 932</b>	<b>5 279</b>	<b>102 638</b>

## 28) Result from shares in Group companies

	Parent Company	
	2023	2022
Dividend	56 453	56 859
Impairment of shares and shares	-22 215	-
<b>Total result from shares in Group companies</b>	<b>34 238</b>	<b>56 859</b>

## 29) Interest income and similar items

	Group		Parent Company	
	2023	2022	2023	2022
Internal interest income	-	-	7 957	3 347
External interest income	2 325	745	-	-
<b>Total interest income and similar items</b>	<b>2 325</b>	<b>745</b>	<b>7 957</b>	<b>3 347</b>

## 30) Interest expense and similar items

	Group		Parent Company	
	2023	2022	2023	2022
Internal interest income	-	-	2 586	1 224
External interest expense	6 288	2 210	2 734	475
Exchange rate loss on long-term liabilities	6 470	2 533	5 972	2 249
<b>Total interest expense and similar items</b>	<b>12 758</b>	<b>4 743</b>	<b>11 292</b>	<b>3 948</b>

### 31) Untaxed reserves

	Parent Company	
	2023	2022
Supplementary depreciation	14 353	11 300
Accrual reserve, fiscal year 2018	-	900
Accrual reserve, fiscal year 2019	-	1 400
Accrual reserve, fiscal year 2021	-	2 000
Accrual reserve, fiscal year 2022	-	770
<b>Total untaxed reserve</b>	<b>14 353</b>	<b>16 370</b>

### 32) Year-end appropriations

	Parent Company	
	2023	2022
Supplementary depreciation	-3 053	-2 800
Reversal of accrual reserve	5 070	-
Allocation to accrual reserve	-	-770
Group contributions received	6 155	13 464
Group contributions rendered	-54	-79
<b>Total year-end appropriations</b>	<b>8 118</b>	<b>9 815</b>

Deferred tax in untaxed reserves is calculated at 20.6 percent and amounts to SEK 2,957 thousand (3,372), which is not reported in the balance sheet.

### 33) Transactions with closely related parties

Apart from dividends to the shareholders, there are no transactions between Nilörn and related parties that are material affected the Group's results and financial position took place during the period.

The parent company Nilörngruppen AB does not sell goods, nor does it purchase any goods from subsidiary. The parent company's net sales refer exclusively to compensation from subsidiaries in the form of design and IT services as well as other administrative compensation. Sales and purchases between Group companies take place to market price.

Regarding salaries and fees for management and the Board, see note 8.

### 34) Appropriation of company profit

The Board of Directors proposes that unrestricted equity, tkr 156 143 be allocated as follows:

Dividend 11 401 988 aktier * 1.00kr per share	11 402
To be carried forward	144 741
<b>Total</b>	<b>156 143</b>

### 35) 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.

### 36) Events after the balance sheet date

No significant events has taken place after the balance sheet date.

# Definition of alternative Key Financial Indicators

Guidelines regarding alternative key figures for companies with securities listed on a regulated market within the EU have been issued by ESMA (The European Securities and Markets Authority). These guidelines must be applied to alternative key figures that are used as of October 3, 2016. The annual report refers to a number of non-IFRS performance measures that are used to help both investors and management analyze the company's operations. Since not all companies calculate financial measures in the same way, these are not always comparable with measures used by other companies. These financial measures should therefore not be seen as a replacement for measures defined according to IFRS. Below we describe the various non-IFRS performance measures used as a supplement to the financial information reported in accordance with IFRS and how these measures are used.

## Definitions of Key Financial Indicators – metrics not defined according to IFRS

Non- IFRS measure	Definition	Reason
<b>Average equity</b>	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.
<b>Average capital employed</b>	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.
<b>Average number of employees</b>	Average number of yearly employees.	This metric is used to measure how the Group's work force develops.
<b>Revenue growth</b>	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.
<b>Return on equity</b>	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.
<b>Return on capital employed</b>	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.
<b>Interest-bearing net cash and cash equivalents/liability</b>	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.
<b>Operating margin</b>	Operating profit in percent of net revenue.	This metric is used to measure operative profitability.
<b>Equity ratio</b>	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.
<b>Capital employed</b>	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).
<b>Profit margin</b>	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

	<b>2023</b>	<b>2022</b>
	<b>12 months</b>	<b>12 months</b>
	<b>jan - dec</b>	<b>jan - dec</b>
Net revenue period (MSEK)	869,8	942,8
Net revenue for the previous per (MSEK)	942,8	788,3
Net revenue for the previous period (MSEK)	/942,8	/788,3
<b>Revenue growth (%)</b>	<b>-7,7</b>	<b>19,6</b>

### Operating margin

	<b>2023</b>	<b>2022</b>
	<b>12 months</b>	<b>12 months</b>
	<b>jan - dec</b>	<b>jan - dec</b>
Operating profit (MSEK)	63,0	136,4
Net revenue (MSEK)	/869,8	/942,8
<b>Operating margin (%)</b>	<b>7,2</b>	<b>14,5</b>

### Profit margin

	<b>2023</b>	<b>2022</b>
	<b>12 months</b>	<b>12 months</b>
	<b>jan - dec</b>	<b>jan - dec</b>
Profit before taxes (MSEK)	52,6	132,4
Net revenue (MSEK)	/869,8	/942,8
<b>Profit margin (%)</b>	<b>6,0</b>	<b>14,07</b>

### Capital employed

	<b>2023</b>	<b>2022</b>
	<b>12 months</b>	<b>12 months</b>
	<b>jan - dec</b>	<b>jan - dec</b>
Balance sheet total (MSEK)	577,8	614,0
Long-term provisions	-0,8	-1,1
Other long-term non interest-bearing liabilities (långa)	-	-
Trade payables	-69,5	-62,4
Current taxes	-17,3	-23,9
Other non interest-bearing liabilities	-33,1	-40,3
Accrued expenses and prepaid income	-45,2	-51,5
Deferred taxes	-5,5	-5,9
<b>Capital employed (MSEK)</b>	<b>406,4</b>	<b>428,9</b>

### Average capital employed

	<b>2023</b>	<b>2022</b>
	<b>12 months</b>	<b>12 months</b>
	<b>jan - dec</b>	<b>jan - dec</b>
Capital employed at the beginning of the period (MSEK)	428,9	354,1
Capital employed at the end of the period (MSEK)	406,4	428,9
	/2	/2
<b>Average capital employed (MSEK)</b>	<b>417,7</b>	<b>391,5</b>

## Return on capital employed

	<b>2023</b>	<b>2022</b>
	<b>12 months</b>	<b>12 months</b>
	<b>jan - dec</b>	<b>jan - dec</b>
Profit before taxes (MSEK)	52,6	132,4
Financial expense (MSEK)	12,8	4
Average capital employed (MSEK)	/417,7	/391,5
<b>Return on capital employed (%)</b>	<b>15,7</b>	<b>34,8</b>

## Average equity

	<b>2023</b>	<b>2022</b>
	<b>12 months</b>	<b>12 months</b>
	<b>jan - dec</b>	<b>jan - dec</b>
Equity at the beginning of the period (MSEK)	333,2	278,3
Equity at the end of the period (MSEK)	294,8	333,2
	/2	/2
<b>Average equity (MSEK)</b>	<b>314,0</b>	<b>305,8</b>

## Return on equity

	<b>2023</b>	<b>2022</b>
	<b>12 months</b>	<b>12 months</b>
	<b>jan - dec</b>	<b>jan - dec</b>
Profit of the period (MSEK)	39,4	101,0
Average equity (MSEK)	/314	/305,8
<b>Return on equity (%)</b>	<b>12,5</b>	<b>33,0</b>

## Equity ratio

	<b>2023</b>	<b>2022</b>
	<b>12 months</b>	<b>12 months</b>
	<b>jan - dec</b>	<b>jan - dec</b>
Equity (MSEK)	294,8	333,2
Total assets (MSEK)	/577,8	/614,0
<b>Equity ratio (%)</b>	<b>51,0</b>	<b>54,3</b>

## Interest-bearing net cash/debt

	<b>2023</b>	<b>2022</b>
	<b>12 months</b>	<b>12 months</b>
	<b>jan - dec</b>	<b>jan - dec</b>
Cash and cash equivalents (MSEK)	104,7	113,1
Short term interest-bearing liabilities (MSEK)	-87,9	73,8
<b>Räntebärande nettokassa (MSEK)</b>	<b>16,9</b>	<b>39,3</b>

## Earnings per share

	<b>2023</b>	<b>2022</b>
	<b>12 months</b>	<b>12 months</b>
	<b>jan - dec</b>	<b>jan - dec</b>
Equity (MSEK)	294,8	333,2
Number of shares outstanding	/11 402	/11 402
<b>Equity per share (MSEK)</b>	<b>25,9</b>	<b>29,2</b>

# 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, 19 April 2024**

**Petter Stillström**

Chairman of the Board Directors

**Johan Larsson**

Director

**Ann-Christine Hvittfeldt**

Director

**Magnus Johansson**

Director

**Krister Magnusson**

CEO

Our audit report concerning this annual report and consolidated financial statements was submitted on 19 april 2024.

**PricewaterhouseCoopers AB**

**Nicklas Kullberg**

Authorised Public Accountant  
Main responsible

**Mattias Palmqvist**

Authorised Public Accountant



## Board of Directors



**Petter Stillström**  
Chairman Since 2009

Born 1972  
Master of Economics  
CEO, AB Traction  
Director of Nilörngruppen AB 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 960 000 A-shares and 2 040 000 B-shares.



**Johan Larsson**  
Director

Born 1970  
Business economist CFO at Grandpa AB, Board member of Nilörn Group AB since 2018. Board member of As good as new AB, Alstermo Bruk since 1804 AB  
Shareholding: 1,500



**Ann-Christine Hvittfeldt**  
Director

Born 1966  
Economics  
Director of Nilörngruppen AB since 2022.  
Director of Luftfartsverket, Wikström Installationskonsult AB, NetGroup Engineering AB, Vadsbo Switchtech Group, Skaraborgs Ortopedservice AB, Brålanda Industri AB.  
Shareholding: 0



**Magnus Johansson**  
Director

Born 1973  
B.Sc. Economics  
Director of Nilörngruppen AB since 2022.  
Head of Marketing Picadeli AB  
Shareholding: 0

## Management



**Krister Magnusson**  
CEO

Born 1966  
B.Sc. Economics  
Krister Magnusson was employed by Nilörngruppen in 2008, CEO since 2020, prior to that, Krister held the position of CFO. Director of Drillcon AB and Grimsholm Products AB  
Shareholding: 85 000



**Andrew Hoppe**  
Asian Manager

Born 1963  
Andrew Hoppe was employed by Nilörn UK Ltd (fd H.H Calmon) 1996, and since 2000 has been CEO of Nilörn East Asia Ltd and Asian Manager  
Shareholding: 0



**Anna-Karin Wårfors**  
Sustainability Manager

Born 1966  
Anna-Karin was employed by Nilörngruppen 2017 and comes most recently from an employment which CSR Manager at Gina Tricot. Before that, Purchasing Manager at Corporate Express Sverige AB.  
Shareholding: 0



**Fredrik Clason**  
Sales and Marketing Manager

Born 1973  
Fredrik was employed by Nilörngruppen in 2007 as Key Account manager. He is also Group Sales Manager since 2017 and Marketing Manager since 2024.  
Shareholding: 9 133

## Auditor

**PwC**  
Chief Auditor:

**Nicklas Kullberg**  
Authorised Public Accountant, Partner.

Born 1970  
Auditor in Nilörngruppen since 2023. Nickla's other assignments are Softronic, Stillfront Group, Proact Group and Didriksons.

# Auditor's report

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Nilörngruppen AB (publ) for the year 2023 except for the corporate governance statement on pages 24-27. The annual accounts and consolidated accounts of the company are included on pages 20-56 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 parent company and the group as of 31 December 2023 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 2023 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 24-27. 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 group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's 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.

Unofficial translation

To the general meeting of the shareholders of Nilörngruppen AB (publ), corporate identity number 556322-3782

### Our audit approach

#### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

#### 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.

### Key audit matters

#### Accounting of income from the sale of goods at the right amount and in the right period

See note 3 and accounting principles on page 36 of the annual report and consolidated accounts for detailed information and description of the group's reporting of income.

The group's net sales per 31 December 2023 amount to SEK 870 million. The group reports income from the sale of goods when risks, benefits and control have been transferred to the buyer and when the value of the transaction can be reliably measured and it is likely that payment will be received.

As a result of the complexity of making the assessment of when risks, benefits and control have been transferred to the buyer for individual sales transactions, and consequently when these transactions are to be reported as income in the consolidated income statement, we have assessed that the accrual of reported income from the sale of goods constitutes a particularly significant area in the audit.

#### How our audit addressed the Key audit matter

In our audit, we have evaluated the group's applied principles and assumptions which formed the basis for determining the timing of the company's reporting of sales revenue. In our audit, we have, among other things, carried out the following audit measures.

- We have assessed the design of the company's internal control regarding revenue recognition of sales of goods and how these controls have been implemented.
- We have randomly audited sales transactions before and after the balance sheet date to assess whether correct conditions have been applied and whether risks and benefits have been transferred to the customers in the same period as the revenue is reported.
- We have obtained audit evidence, such as shipping documentation and payment documents regarding accounts receivable, to assess whether the revenue has been reported in the correct period and to the correct amount.
- Evaluated the group's adopted principles for revenue recognition.
- Reviewed whether the information provided in the annual report is compatible with IFRS.

**Other matter**

The audit of the annual accounts and consolidated accounts for 2022 was performed by another auditor who submitted an auditor's report dated 12 April 2023, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

**Other information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-19, 53-55, 57, 62-63. The information in "Nilörngruppen's compensation report 2023" which is published on the company's website at the same time as this report also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Director's 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 skepticism 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 I identified.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisorsansvar](http://www.revisorsinspektionen.se/revisorsansvar). This description is part of the auditor's report.

## Report on other legal and regulatory requirements

### The auditor's examination of the administration of the company and the proposed appropriations of the company's profit or loss

#### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Nilörngruppen AB (publ) for the year 2023 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 Director's 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 Director's 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' 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 skepticism 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. Our 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 ESEF report

#### Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Nilörngruppen AB (publ) for the financial year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

#### Basis for Opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Nilörngruppen AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

**The auditor's examination of the corporate governance statement**

The Board of Directors is responsible for that the corporate governance statement on pages 24-27 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.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Nilörngruppen ABs (publ) by the general meeting of the shareholders on the 3 May 2023 and has been the company's auditor since the 3 May 2023.

**Borås 19 April 2024**

**PricewaterhouseCoopers AB**

Nicklas Kullberg  
*Authorized Public Accountant*  
Audit in charge

Mattias Palmqvist  
*Authorized Public Accountant*

# Annual General Meeting

The Annual General Meeting will be held on  
Tuesday 14 May 2024

## Registration

Shareholders who wish to participate in the Annual General Meeting must be entered in the share register maintained by Euroclear Sweden AB on Friday, May 3, 2024, and must notify the company by mail at the address Nilörngruppen AB, Box 499, 503 13 Borås, by telephone 033-700 88 88, by fax 033-700 88 19 or by e-mail to reception@nilorn.com no later than 4 p.m. on Tuesday 7 May 2024. When registering, name, social security number/organisation number, address, telephone number and registered shareholding must be stated. Shareholders who are represented by proxy must issue a power of attorney for the proxy. The power of attorney should be sent well in advance of the meeting to the company at the above address. If the power of attorney was issued by a legal entity, a certified copy of the registration certificate for the legal entity must be attached. Shareholders who have their shares registered as trustees must temporarily have the shares re-registered in their own name in order to have the right to participate in the meeting. Such registration must be executed with Euroclear Sweden AB on Wednesday, May 8, 2024. This means that the shareholder must notify the trustee well in advance of this date.

## Dividend

The Board of Directors proposes a dividend of 1,00 SEK per share for the 2023 financial year.

## Parent Company

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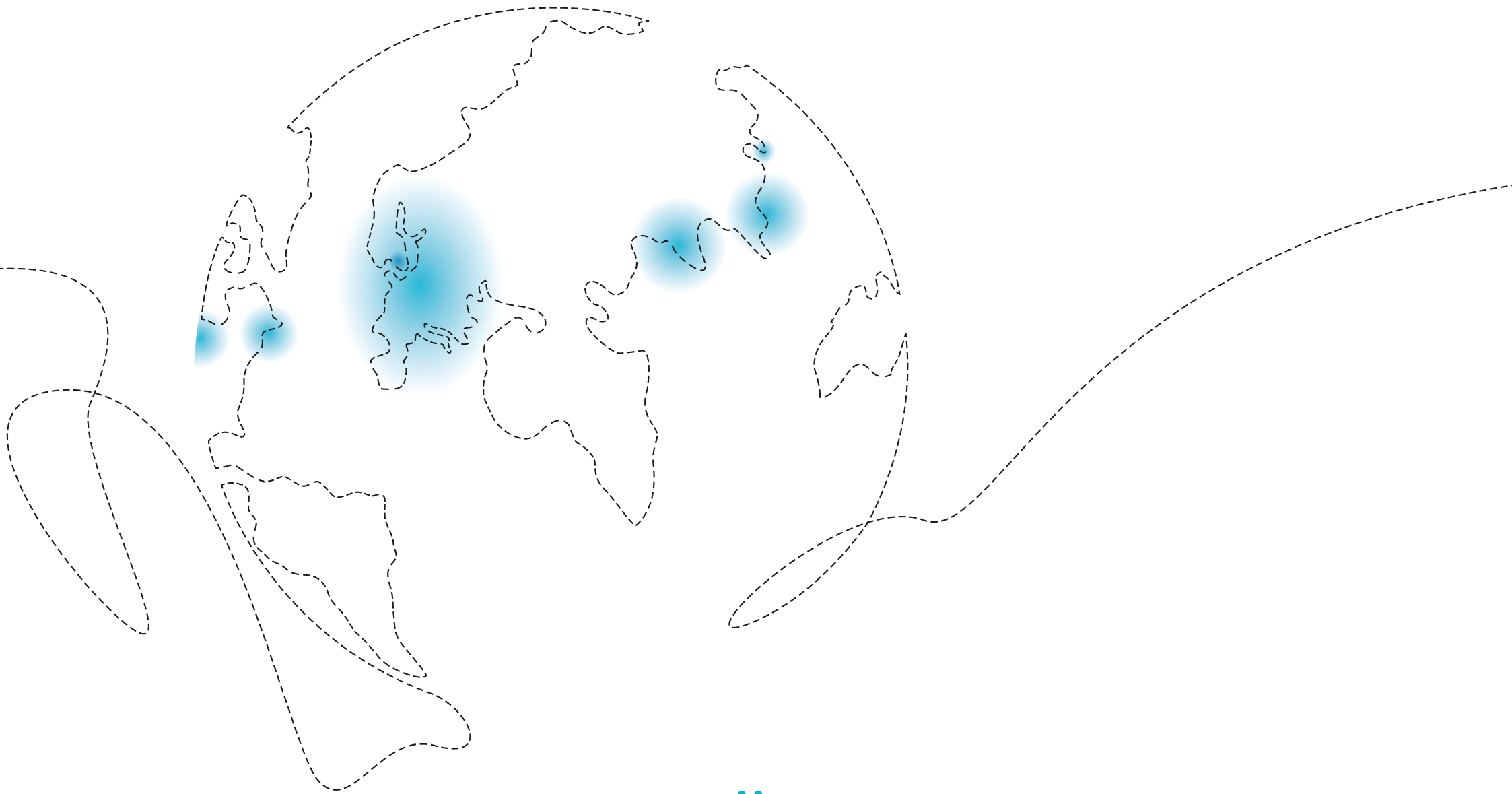
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