


# 2018

**ANNUAL REPORT** NILÖRNGRUPPEN

NILORN
WORLDWIDE

# Contents

# Nilörngruppen in brief

Nilörngruppen 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, especially in the fashion and apparel industry. Nilorn strives to increase customer competitiveness by offering services covering all design resources, plus a logistics system that guarantees reliable and prompt delivery.

Nilörngruppen is one of Europe's leading players with revenue of MSEK 729. Nilorn delivers more than 1.5 billion labels per year, of different sizes and types. Nilorn has operations in Sweden, Denmark, Norway, Finland, Great Britain, Italy, Germany, Belgium, France, Portugal, Spain, Austria, Hong Kong, China, Bangladesh, Pakistan, India and Turkey. There are partner companies in Switzerland, Holland and USA.

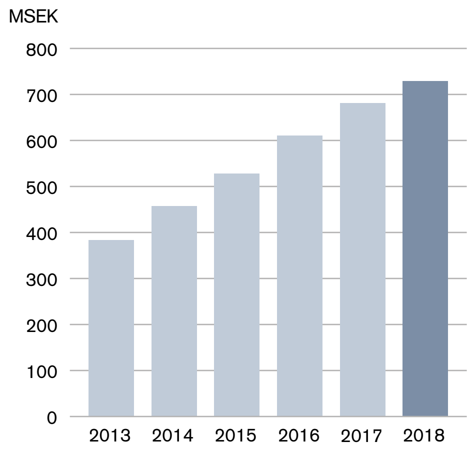
Nilorn applies the motto "maximum customer satisfaction". The entire corporate structure is based on this central theme, which constitutes the basis for all of Nilörngruppen's operations, from design to production, selling, logistics and service.

The vision is "The Best label & branding company worldwide".

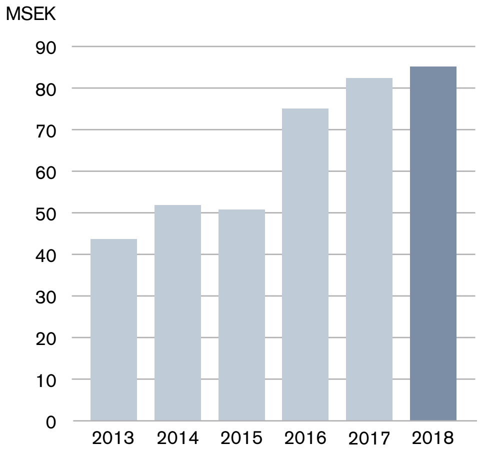
# Year 2018 in brief

- Order bookings increased by 3 percent to MSEK 738 (716).
- Consolidated revenue in SEK increased by 7 percent to MSEK 729 (680).
- Operating expense amounted to MSEK 85.2 (82.4).
- Profit for the year amounted to MSEK 70.7 (65.0).
- Earnings per share amounted to MSEK 6.20 (5.70).
- Cash flow from operating activities amounted to MSEK 59,7 (66.2).
- The Board of Directors has decided to propose a dividend of SEK 4.00 (4.00) per share.
- Sustainability efforts were intensified and continue to be an area of high priority.
- Nilorn Portugal invests approximately MSEK 9 in new looms, MSEK 6.5 of which was paid in 2018.
- Implementation of a new enterprise system is in progress and is expected to be completed during mid of 2020.
- A decision has been made to build new premises for the English business. Construction is expected to be completed during the second quarter of 2019.
- Nilorn has switched its listing from First North Premier to OMX Stockholm Small Cap.
- Strong development for Nilorn in Germany with several new and exciting customers.
- The factory in Bangladesh, which was set up in December 2017, has developed  well.
- Major increases for Nilorn Turkey, both in terms of volume and earnings.
- All Nilorn companies generated positive results.

## NET REVENUE




## OPERATING PROFIT




NILÖRNGRUPPEN IN NUMBERS

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Net, revenue, MSEK | 729.2 | 680.4 | 610.5 | 527.2 | 457.5 |
| Operating profit, MSEK | 85.2 | 82.4 | 75.0 | 50.8 | 51.8 |
| Profit for the period, MSEK | 70.7 | 65.0 | 56.2 | 39.0 | 41.7 |
| Earnings per share, SEK | 6.2 | 5.7 | 4.9 | 3.4 | 3.7 |
| Return on capital employed, % | 41.8 | 47.2 | 49.7 | 39.3 | 47.9 |
| Return on equity, % | 42.3 | 44.6 | 44.8 | 34.3 | 39.9 |
| Equity ratio, % | 53.0 | 49.2 | 50.8 | 48.8 | 53.3 |
| Average number of employees | 482 | 444 | 358 | 335 | 301 |

## Dear shareholders, customers and associates

During 2018 we have again delivered the highest revenue and the best profit since the Company was established in 1977. Revenue increased by seven percent to MSEK 729 and the operating profit amounted to MSEK 85.2. The year was an eventful one that also holds many future opportunities.

Many of the Group's largest customers are making a greater portion of their purchases from Nilorn and we have also managed to attract new customers in all markets despite a more challenging market climate. This shows the strength of our offer. We have been very successful in the German market, where Nilorn increased sales by 15 percent during the year and where we still have several interesting customer projects under development. Great Britain was a challenging market during the year due to the ongoing Brexit negotiations and lower consumption. Some of our retail customers have lost volume, but we are also seeing customers doing well as trademark owners, with a large portion of their sales on the international market. Scandinavia has been a stable market for us for many years and our share of the market is relatively large. A small number of retail customers have reduced their volumes due to lower demand. We continue to grow in the Italian market, and we have attracted some strong brand names where Nilorn's efficient web-based ordering system is highly appreciated. It is my clear assessment that the potential in the country is great, with continued growth for us in the years to come. We are also beginning to see successes in the Spanish market, where Nilorn has established a sales office and we see exciting opportunities in 2019.

Our fine development is based on the long and good relationship we have established with our customers, most of whom are increasing their purchases from us. This is a trust we are humbly grateful for and we will do everything in power to continue developing. An important reason for why our customers feel so good with Nilorn is our competent and engaged staff, hard at work on a daily basis to satisfy our customers. This is achieved by "freedom under responsibility", which means that our staff take their own initiative with the customer in focus.

During the past year we intensified our efforts on sales to new customers, where important success factors are our design, our efficient logistic solutions and the fact that we are at the leading edge when it comes to sustainability.

*"The interest we encounter from established brand owners and chain companies in different markets in Europe clearly shows the strength of our offer."*

### Platform for continued growth

The positive development over the past several years is one result of a purposeful strategy where the sales work has been prioritized. We have been working on improving our internal processes and routines in the interest of shortening development and lead times for our customers. We now have a stable platform for providing a broadly-based concept with more competitive products to our largest customers in the quest to become their partner in brand name profiling and labeling.

Our production operations in Bangladesh saw a very successful development during the year and several customers have been made aware of the advantages of working with a local alternative with a high level of service where we ourselves control the entire process. This allows us to maintain Nilorn's stringent demands for Corporate Social Responsibility (CSR) and with respect to sustainability issues in this challenging market.

Our goal when it comes to sustainability is high and we want to help our customers to create a more sustainable supply chain. During the past year we saw many good examples where passion and creativity created products where design and sustainability go hand in hand. We have, for example, developed woven labels in Tencel and in recycled polyester. These are examples of materials that we believe will be important for our ability to deliver an even more sustainable product going forward. We will continue to invest with the goal offering the market's strongest concept in sustainable labeling and brand profiling.

### Opportunities and challenges

I envision several exciting opportunities for Nilorn going forward, at the same time as certain markets being challenging. The interest we encounter from established brand owners and chain companies in different markets in Europe clearly shows the strength of our offer. This is something we obviously must continue to build on in order to create interesting business with customers who value us and want to work with us on a long-term basis based on the quality, reliability and breadth that we offer.

Nilorn's vision "to become the best labelling and branding company in the world" is something that I and the organisation will work hard to achieve in the years to come. A continuing trend is that customers, regardless of price level, put more care into their labels and branding concepts. The importance of profiling and to have a well thought out and well-developed branding strategy will be of great importance in an increasingly competitive international market.

We have a highly competent and passionate group of associates, both within the Company and with the partner companies we co-operate with. Our employees are impassioned about their task and work hard to ensure that Nilorn offers a high level of service and the most powerful concept in the market. They have all been part of our successes and fine development over the past years and will continue to be Nilorn's greatest asset and a major reason why we have good prospects of maintaining and developing our strong position in labelling and branding.

Given the fact that we have achieved stable growth with increased sales and profitability for many years, and the fact that we have a stable platform, I am optimistic about the future. I am convinced that we have a good and exciting journey ahead of us and we will do our utmost to ensure continued success for the business.

Borås, 27 March 2019

Claes af Wetterstedt
*President, Nilörngruppen AB*


# Business concept, goals and strategy

**Vision**

"The best label and branding company worldwide".

**Business**

Nilorn's business idea is to offer a complete profiling concept that strengthens the image of customer companies' trademarks. The concepts contain branding and design, product development, integrated logistics solutions and RIS (Retail Information Service). Nilorn's business idea is summarised as "Adding value to your brand".

**Goal**

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

**Strategy**

The strategy is aimed at profitable growth based on a strong offer in branding and design, growing international presence by expanding the service and manufacturing network, and increased efforts in the areas of Retail Information System (RIS) and Radio Frequency Identification (RFID). Our efforts are focused on sustainability with the aim of being at the forefront of development in this area.

The strategy includes efforts to increase the value content of the products, to establish even closer co-operation with key customers, utilising combined resources and to optimising the manufacturing structure in our own production and collaboration with partner companies. This strategy means that Nilorn aims to assume a clear position as a global leading operator with product and service offerings that create added value for its customers.

**Values**

Nilorn is a decentralised organisation with a high degree of freedom under responsibility where the Group's values serve as a guide. This gives the individual employee opportunity to act independently, which is something our customers experience in the form of fast service. Major efforts are expended on disseminating Nilorn's values, thereby creating a "we" feeling within the Group. In the Nilörngruppen we try to find simple solutions, which is a must in a decentralised organisation with a quick decision-making process.

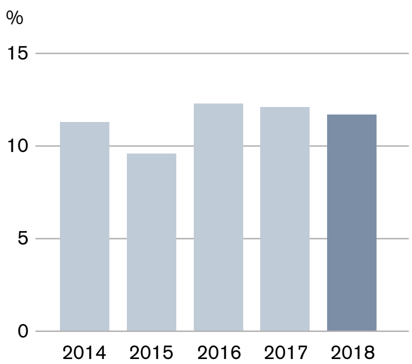
**Growth and profitability goals**

Nilorn strives for sustainable and profitable growth. The growth target is 7 per cent per year, with an operating margin in excess of 10 percent and net liabilities not to exceed 2 times profit before interest, taxes, depreciation and amortisation (EBITDA).

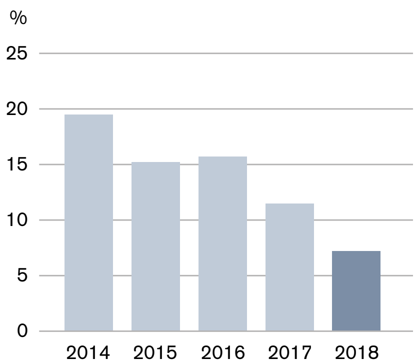
Over the past five years growth has averaged 14 percent, with an average operating margin of above 11 percent and a positive cash flow despite major investments in a property in Borås and a production facility in Bangladesh, as well as a level of dividends of between 70 and 99 percent of net profit.

*Nilorn's head office*

## OPERATING PROFIT MARGIN BY YEAR




## GROWTH IN PERCENT PER YEAR



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

**In-house production – external sourcing**

Historically, Nilorn was a label producer with production in several European countries, including Sweden, Germany, Belgium, England, Denmark and Portugal. Much of the production has been closed down or sold off and the former production companies have been converted into our sales units in Europe, but the tradition and the technical expertise remains. This is a great benefit to us in our discussions with, and advice to, our customers.

Nilorn still has production in Portugal of both woven and printed labels. During the year we also started production in Bangladesh. We also have our own production of printed labels in England, Germany, Turkey and Hong Kong, and close co-operation with external key suppliers in other countries, such as China, Hong Kong, India, Pakistan, Turkey, Italy and other countries. Internal production accounts for 10 to 15 percent of the Group's total sales. Our own production of labels with variable data (Retail Information Services) is a prerequisite for providing a high level of service (quality control and lead times), since they are produced when ordered, compared with other labels, such as woven labels, which are placed in inventory and delivered from ”the shelf”. The production in Portugal makes it possible for us to offer short lead times for delivery in Europe, at the same time as we retain the technical know-how within the Group. This has been a great benefit for us in the start-up of the factory in Bangladesh. Bangladesh is an important textile nation with a high rate of growth, but also a country where it is difficult to control quality, work conditions and sustainability. By starting our own production in the country we gain control over service, quality and, especially, CSR, thereby making it possible to secure the offer to our customers.

Limited in-house production gives Nilorn the flexibility to operate in countries where the customers want delivery rather than focusing on operation at capacity in our own factories. This means improved service to our customers, at the same time as Nilorn gains flexibility to adapt its costs to market demand.

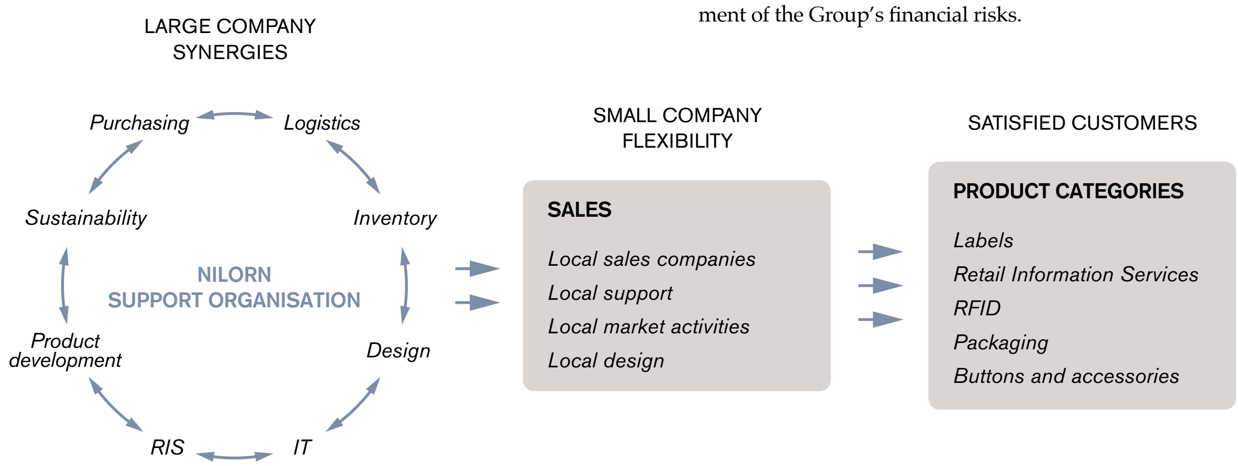
**Transformation to a profitable growth company**

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

By creating a decentralised organisation, with great freedom under responsibility, Nilorn has speeded up the process and improved the service level, at the same time as costs have been cut. The Group was previously burdened by high overhead costs, complicated routines and a lack of focus. From having been a group where a small number of companies contributed positive results, and where most were operating at a loss, Nilorn now is a group where all companies make positive contributions, albeit at varying rates. This makes a significant difference to the Group's profitability.

Nilorn has managed to create the small company's flexibility, while achieving the large company's synergies. The central units that serve the business are:

- Design (there is also design at the local sales units to support the sales activities and to capture local differences).
- RIS (Retail Information Services) to give the customers a simple and efficient solution for variable data.
- Purchasing in order to take advantage of the Group's scalability with respect to purchasing and to gain control of the supply chain.
- Logistics for secure and efficient deliveries.
- Sustainability in order to gain control of our suppliers and to secure the Group's sustainability efforts, as well as support the customer in this process.
- IT to ensure secure and efficient handling of the Group's processes.
- Accounting and finance to ensure effective internal control, accurate financial reporting, operational governance and management of the Group's financial risks.



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

Over the past five years the Company:

- Has increased the revenue by more than 90 procent
- Had an average operating margin in excess of 11 percent
- Has each year paid a dividend of between 70 and 90 percent of net profit
- Has had a strong balance sheet with an equity ratio of 50 percent

**Distribution by product category**

The chart on the right shows Nilorn's revenue by product category.

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

Product category RIS (Retail Information Services) accounts for 33 percent of total revenue and contains labels with variable data, such as price marking labels, size labels, care labels and RFID (Radio Frequency Identification). Nilorn has grown sharply in this area in recent years and now has 12 employees working full-time to adapt Nilorn's systems to receive customer files in a simple way and to make it easy for the customers to place orders via Nilorn's web solution. The production of RIS labels is handled locally to order and typically in-house to ensure quick delivery and good quality control. RFID are labels with a chip containing data (intelligent labels). RFID gives the customer significantly better control of the goods and makes for more efficient handling. RFID labels have been around for several years, but it is only recently that prices have come down, triggering inquiries. Nilorn is investing heavily in RFID and has several projects in progress together with customers.

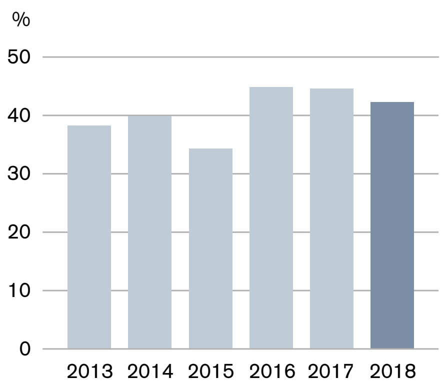
Packaging accounts for 7 percent of consolidated revenue. This is an area with slightly lower margins, but with great potential, especially because of the increasing volume of e-trade where the packaging is becoming an increasingly important element for a positive customer experience.

**Customers**

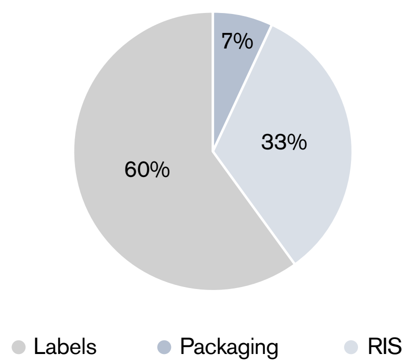
The sales companies meet customers, mainly brand owners, all over Europe. Most deliveries are to customers' sub-contractors, however, i.e. the factories where customers' garments are sewn, most of which are in Asia, but also in Europe in countries such as Turkey, Portugal, Italy, the Baltic States, etc. In most cases the customers guarantee the inventory of labels as they are unique for them and also the accounts receivable.

Nilorn has more than 1,000 customers. The ten largest account for approximately 35 percent of Group sales, and the twenty largest account for 50 percent.

## RETURN ON EQUITY




## REVENUE BY PRODUCT CATEGORY 2018




*Product development* | **HELL OAR HIGH WATER**

# A market with opportunities

*The global as well as the European market for branding and design is growing. Brand name owners are increasing their investments actions that will help strengthen their brands where labels, packaging and accessories are important elements.*

**A market in transformation that creates opportunities**

Low price brands as well as premium brands are investing ever more resources into differentiation. The market for labels, packaging and accessories is keeping up with the overall development of the fashion industry in terms of colours, textiles and combinations of materials. In today's society there is a growing number of trends ongoing at the same time. The life cycle of collections are also getting shorter as trends are evolving ever more quickly.

New regulatory frameworks also affect demand. The EU, for instance, introduced more stringent requirements for textile products to be labelled in accordance with specific regulations. Over the longer term demands on the fashion and garment industries are affected by the general economic development, with important factors such as GNP growth and private consumption.

The growing importance of the brand means that the development for branding and design that contributes to more distinct profiling and increased sales has been positive. Demand is growing in Europe as well as other markets. Since more and more customers demand holistic concepts Nilorn offers: branding, design, product development and offers professional logistics solutions.

**Customers with high demands**

Nilorn has extensive experience in collaboration with the fashion and garment industries and as the market's leading specialist, the Group possesses solid knowledge in the fields of design and design development. Nilorn chiefly co-operates with high demands for development of concepts that strengthen their brands. Through close co-operation with its customer, Nilorn understands which factors each customer's brand in the marketplace. Based hereon Nilorn develops concepts that contribute to differentiating and strengthening the customer companies' most important asset, their brands. This creates value both for Nilorn's customers, the brand owners and for their customers, the end consumers.

*Nilorn's head office*

**MARK TRENDS**

- *Increased investments in brand profiling.*
- *Increased focus on sustainability.*
- *The market for branding and design concepts follow the trends in fashion.*
- *Ever more trends are current at the same time.*
- *Technical advances create new opportunities.*
- *Growing interest in RFID.*

### NILORN'S COMPETITIVE ADVANTAGES

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

# Customized solutions based on a multitude of features

*Nilorn has the widest range of features in branding and design of labels, packaging and accessories. Nilorn offers branding consultancy services and design expertise focused on the fashion and garment industry, control of the production and high quality as well as IT and logistics solutions that allow customers to control the flow of their labels, packaging and accessories. This means that Nilorn can guarantee just-in-time delivery worldwide.*

**Branding increasingly important**

Most of Nilorn'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 feature of the garment. In order to achieve success and sell well at the retail level the brand must have a clear profile that stands out in the crowd. The brand and the marketing is more important than ever – from advertising campaigns to branding and design concepts that adorn and profiles the products at the retail level. This creates an opportunity to combine important information with profiling that enhances value. This is where Nilorn stand out from the competition. Nilorn has specialist competence in branding on garments and in stores. This is also very important for e-commerce as the customers want a positive experience when unpacking the goods.

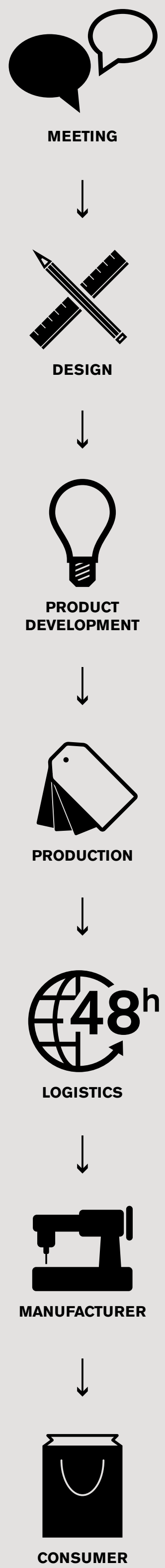
Nilorn's customers demand high quality, flexibility, great branding and design content, as well as advanced logistics solutions. To meet the demands Nilorn is committed to a high level of service and to being the customers' best partner in branding and design concepts based on labels, packaging and accessories. Nilorn has extensive experience and knows what it takes to build, maintain and further develop strong brands.

**On target with close co-operation**

Nilorn always strives to develop close co-operation with customers in the quest to generate unique branding and design concepts that contribute to differentiating and strengthening their most important asset – the brand. The customers must know that Nilorn always works to achieve the best possible solution for their needs. Such co-operation always begins with listening to the customers to identify and understand their aspirations.

Nilorn creates added value by clearly communicating the products' benefits at the retail level. Business relations are of a long-term nature and are based on close co-operation between Nilorn and the different customer departments, where management, marketing, design and logistics departments participate. To be at the forefront it is also required that Nilorn always can offer new ideas that simplify and streamline customer operations. The Group was at the forefront of developing comprehensive solutions based on efficient IT systems.

However, you cannot be complacent. Nilorn has the experience, competence and size required to lead the development in the branding and design industry also in the future.




## THE NILORN PROCESS

- **MEETING:** Meetings between client and Nilorn. In close cooperation clients needs identifies and results in a design brief.
- **DESIGN:** Unique design skills create tailor-made concepts for different costumer 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

*Graphic designers and branding consultants who are specialized in developing graphic concepts for fashion and fashion-related products work at Nilorn's design departments in Sweden, Great Britain, Germany, Belgium and Denmark. Customers are offered a unique and expressive product appearance with the aid of labels, packaging and accessories. As is the case in all visual communication, it is important to attract, to guide and to provide information. For producers of functional materials in, for instance, the sport segment, we have seen an increased need for communication.*

**Concepts that strengthen brands**

At Nilorn's design departments we use the word concept when we speak about our work. A concept can be anything from just a few to more than 50 labels and packaging items and accessories with details. There is a theme that combines all parts of the concept. Logotypes, graphic expressions, colours, patterns or materials that can be used to provide a uniform appearance in a manner that promotes strong communication. The most common elements of a concept are woven labels, hanging labels made of paper, plastics, leather or textile materials. Latex, cardboards, wrappings, tissue paper and accessories. The possibilities are endless, using different printing and punching methods, foil embossing and different ways of attaching the labels.

Another important detail for us at Nilorn is the location of the labels. Placement that surprises and has a function are important parts of a concept. Our customers appreciate our know-how and often ask us to participate in their design process at an early stage. In a good concept, the labels should work individually, in combination and in harmony with the garment. Graphic design, combined with exciting materials must highlight the unique values that create a connection between brand and product. The notion that consumers appreciate our labels/brand accessories so highly that they land on a desk Instead of In the waste paper basket is what inspires our graphic designers.

**A design process focused on satisfying needs**

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

At Nilorn our graphic designers bring together all the materials needed to strengthen the identity of a brand. When the image and the target are identified, Nilorn's design team create bespoke solutions for each individual purpose. All signals are co-ordinated to a whole that focuses on strengthening the customer's brand. The finished result includes everything from packaging, accessories, labels, placement solutions and selection of materials. The concept is presented to the customer in an exciting and informative way according to customer requirements. Nilorn's combination of experience and innovation creates new dimensions for branding.

*Nilorn's head office, RIS department.*

# Retail Information Service (RIS)

## – THE PERFECT SOLUTION FOR BAR CODES

*One feature of Nilorn's business concept is to simplify the label handling for its customers. The market's best web-based order system give customers full control of ongoing production, lead times and inventory balance. As experts in handling labels, packaging and accessories we offer effective customer solutions where the customer solutions where cost and time aspects go hand in hand with secure and global distribution options.*

### A Unique IT logistics solution

One of the most important aspects when it comes to production of bar codes and care instructions is that the label typically contains information that varies. There are labels to be distributed to different production countries and where the time aspect is often crucial. Nilorn, with its global network and flexible production has solutions for that which for many customers is perceived as being complicated, time-consuming and expensive. For the customers the process is simple. At the same time as they place a production order with a manufacturer, they send a message to Nilorn specifying the information to be included on the labels. The label is produced and distributed directly to the manufacturer or placed in inventory to be dispatched when ordered via our internet-based web ordering system.

Customers who choose to work with Nilorn get assistance ensuring timely production and distribution of the labels. All information about the entire process is available at Nilorn's web order site where it can be accessed in ten languages, 24/7.

### Nilorn's web solution

With our knowledge and experience of meeting the production and distribution needs for global chains as well as smaller local brands, we dare to say that our solution is unique and that our customers are satisfied. Nilorn has a wide variety of options for managing variable data labels. The most common types of labels are:

- *Adhesive paper*
- *Simple label with bar code*
- *Care instructions on textile ribbon*
- *RFID labels*


*Labels and packaging with RFID.*

# Radio Frequency Identification (RFID)

*As early as in the early 2000s, Nilorn worked on a number of projects in RFID where the opportunities for retail and apparel were identified. However, it turned out that although the interest was great, the market was not yet ready to embrace the technology.*

**An increasing interest in RFID**

In recent years we have seen a marked increase in the number of customers who want to evaluate and initiate RFID labelling for their production. This trend continued during the past year and we began deliveries of RFID labels for a major project.

Even if globally there are a few early adopters in retail and apparel industry who have used RFID for several years, it is only in recent years that we have experienced a gradually growing interest among European brands. The technology has improved over time, while the price of both the tags and the equipment has fallen, making it easier to put together an attractive investment calculation.

The fact that a few global brands have chosen to adopt RFID, and that articles on the subject increasingly appear in different news feeds, obviously contributes to the increased interest. A growing number of brands are taking a closer look at how labelling with RFID can improve the efficiency in their supply chain, with improved inventory control, reduced shrinkage, increased sales and savings as effects.

Some major chains have begun to demand RFID labelling by their suppliers in order to be allowed via their channels.

**Nilorn's offer**

We help our customers review their current labelling and how RFID could best be integrated. The most common method is to replace the price tag/barcode label with an RFID version, either in the form of a hangtag, or an adhesive label. There are other alternatives and materials for application of RFID, for instance sewing the label on together with the existing care label.

We recommend our customers to begin with a small pilot project, followed by gradually rolling out to full scale. Select, for example, a couple of suppliers to label products with RFID rather than the usual price label. Another alternative is to begin with a selected product group.

Nilorn has flexible solutions to make the change at a pace that suits the brand. The ordering routine remains as simple for

RFID labels as, for instance, for the usual price labels. For the garment manufacturer there need be no change at all. They attach the price label to the garment as usual and the only visual difference is a small RFID logo printed on the label.

**Global standard**

RFID labelling of products for the typical customer in retail and apparel occurs in accordance with a global standard, which makes for standardised use in everything from store to central warehouse, third-party logistics solutions and different types of marketing channels.

The unique code on the RFID chip is made up of, among other things, the EAN/UPC code and a unique serial number. The labels are read with radio waves and no line of sight is needed as is the case with a traditional barcode. Several RFID-labels can be read at the same time, compared to barcodes that have to read manually, one at a time.

**History**

At Nilorn an RFID showroom was built as early as in the beginning of the 2000s to demonstrate the possibilities in practice.

A number of different types of labels were developed, such as hangtags, adhesive labels and woven labels, which were then attached to various garment lines.

Cartons containing RFID-marked garments were bulk scanned and the content was read without opening the cartons. Suggestions of garments matching the ones brought into the fitting room were shown on a screen and it also allowed statistics to be developed showing which garments were often tried on, but then not purchased. Garments paid for were disarmed at a self-service checkout, allowing the consumer to pass the security gate without triggering an alarm. An inventory-reading product rack for automatic restocking was also included as part of visions for the future.

And now, several years later, interest in RFID has really started to take off as a growing number of brands are beginning to recognise the benefits, and in some cases even the necessity of adopting this technology to secure their business for the future.

RFID labels are an equally simple and obvious part of our solutions and offer as price tags and care labels.

# A global market

*In order to be able to compete for the large branding and design assignments, it is necessary to be close to the customers since the decisions on strategic issues are made at the head offices. Labels, packaging and accessories are becoming ever more important for the brand and are therefore increasingly a matter for senior management to consider. On the other hand, most of our customers' production takes place in low cost countries, in Asia and the former Eastern Europe, for example. As customer companies have expanded into new geographic markets, both in terms of sales and manufacture, the branding and design industry has become ever more global.*

**From local to global**

This development means that the branding and design companies must be close to their customers as well as their suppliers and be able to handle deliveries just-in-time in virtually the entire world. Garments are designed and sold in Western Europe, but production is by and large in Asia. The branding and design concepts are developed in close co-operation with the brand name owners in Western Europe, but most labels, packaging and accessories are delivered directly to the manufacturers, especially in Asia, where China still is the most important purchasing market for the fashion industry.

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

**Growing presence in Asia**

This development makes it necessary for Nilorn to be present locally in these countries, via its own companies and a network of strategic partners. In close co-operation with partner companies, Nilorn has access to high-quality production in the Asian growth markets, where Nilorn East Asia in Hong Kong is an important hub for the business together with the distribution units in China, India, Bangladesh, Pakistan and Turkey.

An important part of Nilorn's strategy is to continue to attract strong and professional partners to the Group's network. The purpose is to be able to offer customers effective logistics regardless of where in the world the customer produces its goods. Joint product development functions have been built in order to strengthen Nilorn's branding, design and product development.

For highly fashionable goods bought in the middle of the season and which demand extremely short lead times, Turkey has become an increasingly important purchasing market for the European garment companies, a trend that has grown in strength in recent years.

**Both in-house production and collaborators**

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

Nilorn's presence in Europe is important as that is where the purchasing decisions are made and that is where branding, design and concept, garments, labels, packaging as well as accessories are developed. Access to its own production, combined with production at partner companies, allows the Group to maintain quality, flexibility and to meet customer demands at the highest level and also to live up to the demands for competitive pricing. Access to our own manufacturing creates advantages for product development and sample management – making reality out of something that just a few days ago was at the idea stage.

*In-house production in Portugal*


FROM
LEAFE
SEASON
03
SIGNATURE COLLECTION

# Environmental work

*Nilorn works actively to contribute to a more sustainable future.*

For Nilorn sustainability means meeting individuals' and customers' long-term requirements. Our efforts for a sustainable future are many-facetted:

- Environmental responsibility with respect to the products we deliver and the impact on the environment of our daily work.
- Social and ethical responsibility, meaning that we want to ensure that our products are manufactured under good working conditions, which comply with international conventions and laws and that we offer a good workplace for our employees.
- Good business ethics, which includes preventing corruption and promoting healthy competition and integrity protection.

All of Nilorn's operations must comply with national and international laws and conventions. Nilorn has signed the UN Global Compact's principles for sustainability. Global Compact is the world's largest sustainability initiative with approximately 10,000 participating companies and organisations in more than 160 countries. Nilorn commits to realizing and integrating the 10 human rights principles, labour law, environment and anti-corruption based on the UN's Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the RIO Declaration on Environment and Development and the UN Convention against Corruption.

Our efforts to guarantee environmentally friendly products mean that we together with our customers must assume responsibility to select sustainable materials and choose the most suitable form of transportation. Our goal is to minimise the environmental impact through active choices, while meeting our customers' requirements for materials and fast delivery. Both in our own organisation and among our suppliers we are reviewing processes, materials and certifications in order to offer products that include more sustainable alternatives and we commit ourselves to assess, reduce and prevent environmental impact and the effects of our activities, products and services.

We work with different types of certification of products to call attention to the improvements made along our value chain, such as:

- bluesign®
- STANDARD 100 BY OEKO-TEX®, Class 1
- GOTS (Global Organic Textile Standard)
- FSC (Forest Stewardship Council)
- RCS (Recycled Claim Standard)

These certifications include different types of products and vary slightly depending on focus area and the requirements posed regarding environmental, social and ethical performance.

Nilorn's factories in Portugal and Hong Kong are bluesign® system partners. The basic idea behind bluesign® is based on five principles in a single standard. By focusing on resource management, emissions to air and water, consumer safety, work environment and safety, production becomes more sustainable.

EU's chemicals legislation REACH is the basis for our work with Nilorn Restricted Substance List. Our suppliers are expected to sign agreements with Nilorn in which they certify that they comply with the legislation and restrictions regarding the use of chemicals. Nilorn is a member of Swerea, IVF's chemicals group, the aim of which is to convey legal requirements and other information in the chemicals area in support of companies' daily work with chemicals. We participate in the group's network meetings and use the Chemicals Guide to follow legislation and recommendations.

Nilorn's Code of Conduct was updated in 2017 and is based on the Ethical Trading Initiatives Base Code. All of Nilorn's suppliers are expected to sign our agreement and adhere to our suppliers' manual, which among other things contains a code of conduct, environmental requirements and a list of chemicals.

Nilorn's businesses in Hong Kong, Portugal, Turkey and Bangladesh have been subjected to a social and ethical audit by Sedex Members Ethical Trade Audit (SMETA). SEDEX is a non-profit organisation where members co-operate with focus on improvements in responsible and ethical business practices in global supply chains. Many of our suppliers are members of SEDEX and similar initiatives, such as BSCI (Business Social Compliance Initiative). Nilorn also performs its own follow-up on our suppliers where we on location assure ourselves that the suppliers comply with the agreements they have signed. The annual supplier evaluation with its follow-up is a good tool in the dialogue with our suppliers.

Nilorn's anti-corruption policy shall be applied internally as well as in co-operation with suppliers and other external contacts. All employees are covered by this policy which means that employees may not receive gifts or other favours that go beyond what is considered moderate. If gifts or other favours are accepted, it must be done with full transparency and in a manner that complies with the Company's rules regarding value and type of gift.

Nilorn has also published its first statement in accordance with Great Britain's Modern Slavery Act 2015, where we the annually report on actions we take to reduce the risks of modern slavery that may occur in the supply chain and our operations.

*Further information about our efforts are found in the Sustainability Report. http://www.nilorn.com/sustainability*

*Nilörngruppen's Sustainability Report 2018*

*Nilorn's head office*

# History

**1970's**

Nilorn is a design agency that Claes-Göran Nilsson started in Borås in the beginning of the 1970's. Operations were developed to include also production of labels, which was contracted out to manufacturers in Europe.

**1980's**

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

**1990's**

To ensure the international expansion, a private placement was made in 1990 to external financiers. In the same year the largest textile printer in the Nordic countries was acquired, K Björn Eriksen in Denmark, and in 1992 Bally Labels in Switzerland was acquired. Shamrock-Ruga in Belgium and Dalle Caen in France were acquired in 1995. Arko Etiketten in Germany was added in 1998 and Nilrngruppen was listed on the Stockholm Stock Exchange. In 1999 Great Britain's leading label manufacturer, H.H. Calmon & Co Ltd, which also has operations in Portugal and Hong Kong, India and the Dominican Republic, was acquired. A twenty-percent stake in the German label producer Gustav König Etiketten was acquired the same year.

**2000's**

To ensure the international expansion, a private placement to external financiers is made in 1990. The largest textile printer in the Nordic Region, K Björn Eriksen in Denmark is acquired the same year, and in 1992 Bally Labels in Switzerland is added. Shamrock-Ruga in Belgium and Dalle Caen in France are acquired in 1995. In 1998 Arko Etiketten in Germany is acquired and Nilörngruppen is listed on the Stockholm Stock Exchange. In Britain's 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.

In 2006 the restructuring of the manufacturing operations continued, with the production of woven labels being moved from England and Germany, mostly to Portugal.

In 2007 the Belgian production of woven labels was closed 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 business was 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 for the Stockholm Stock Exchange. A new Board of Directors took over in connection with the Annual General Meeting and Petter Stillström took over the chairmanship.

**2010's**

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

In 2012 Nilorn moved its warehouse from Sweden to the central warehouse in Germany in an effort to make operations more efficient. The Group established production in 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 woven as well as printed labels was expanded in Portugal. A sales office was opened in Italy.

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

In 2017 production is started in Bangladesh. A European distribution company is established in German. 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 in Portugal and it has been decided to invest in a new property in England of 2.1 MGBP. A new enterprise system is implemented and there is a major focus on sustainability.

# Multi-year Survey

NILORN'S DEVELOPMENT IN SUMMARY 2014 – 2018

| *Amounts in MSEK* | **2018** | **2017** | **2016** | **2015** | **2014** |
|---|---|---|---|---|---|
| **Income Statement** | | | | | |
| Net revenue | 729.2 | 680.4 | 610.5 | 527.2 | 457.5 |
| Operating profit | 85.2 | 82.4 | 75.0 | 50.8 | 51.8 |
| Net finance items | –1.4 | –0.2 | –1.1 | –0.8 | –0.4 |
| Profit before taxes | 83.8 | 82.2 | 73.9 | 50.1 | 51.4 |
| Taxes | –13.1 | –17.2 | –17.7 | –11.0 | –9.6 |
| Net profit for the year | 70.7 | 65.0 | 56.2 | 39.0 | 41.7 |
| Profit attributable to the Parent Company's equity holders | 70.7 | 65.0 | 56.2 | 39.0 | 41.7 |
| | | | | | |
| **Balance Sheet** | | | | | |
| Non-current assets | 80.3 | 62.9 | 49.5 | 39.4 | 23.4 |
| Inventories | 107.9 | 110.0 | 88.9 | 80.1 | 73.3 |
| Trade receivables | 83.2 | 76.2 | 73.4 | 58.6 | 58.7 |
| Other short term receivables | 31.9 | 18.7 | 24.3 | 22.7 | 20.5 |
| Cash and cash equivalents | 37.9 | 44.8 | 35.2 | 31.5 | 38.6 |
| Total assets | 341.2 | 312.6 | 271.3 | 232.4 | 214.4 |
| Equity attributable to the Parent Company's equity holders | 180.8 | 153.9 | 137.8 | 113.3 | 114.3 |
| Total equity | 180.8 | 153.9 | 137.8 | 113.3 | 114.3 |
| Long-term liabilities | 2.1 | 1.2 | 5.0 | 5.0 | 5.9 |
| Trade payables | 69.6 | 61.7 | 52.8 | 46.6 | 46.2 |
| Other current liabilities | 88.7 | 95.7 | 75.7 | 67.4 | 48.0 |
| Total liabilities and equity | 341.2 | 312.6 | 271.3 | 232.4 | 214.4 |

| *Amounts in MSEK* | **2018** | **2017** | **2016** | **2015** | **2014** |
|---|---|---|---|---|---|
| **Key financial indicators and other information** | | | | | |
| Revenue growth, % | 7.2 | 11.4 | 15.8 | 15.2 | 19.5 |
| Operating margin, % | 11.7 | 12.1 | 12.3 | 9.6 | 11.3 |
| Profit margin, % | 11.5 | 12.1 | 12.1 | 9.5 | 11.2 |
| Capital employed | 221.2 | 189.6 | 163.3 | 139.8 | 120.7 |
| Average capital employed | 205.4 | 176.5 | 151.6 | 130.3 | 108.7 |
| Return on capital employed, % | 41.8 | 47.3 | 49.7 | 39.3 | 47.9 |
| Average equity | 167.3 | 145.9 | 125.6 | 113.8 | 104.6 |
| Return on equity, % | 42.3 | 44.6 | 44.8 | 34.3 | 39.9 |
| Equity ratio, % | 53.0 | 49.2 | 50.8 | 48.8 | 53.3 |
| Interest-bearing net cash and cash equivalents | –2.5 | 9.1 | 9.7 | 5.0 | 32.1 |
| Average number of employees | 482 | 444 | 358 | 335 | 301 |

*For definitions of alternative key financial indicators, refer to page 64.*

# Nilörngruppen's share 2018

**The share**

Nilörngruppen's class B share is listed Nasdaq OMX Nordic Small Cap since 4 April 2018. It was previously listed on First North Premier since 12 June 2015. Class A shares entitle owners to 10 votes; Class B shares entitle owners to one vote.

**Ownership structure**

At year-end 2017 Nilörngruppen had 3,717 (4,227) shareholders. At year-end the ten largest owners owned 63.3 percent of the capital and 79.1 percent of the votes.

**Dividend**

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 4.00 per share for calendar year 2018. (2017 SEK 4.00 per share).

| *Amounts in SEK* | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Per-share data** | | | | | |
| Number of shares outstanding, thousands | 11,402 | 11,402 | 11,402 | 11,402 | 11,402 |
| Earnings per share | 6.20 | 5.70 | 4.93 | 3.42 | 3.66 |
| Dividend | 4.00* | 4.00 | 3.60 | 3.00 | 3.50 |
| Equity | 15.85 | 13.50 | 12.08 | 9.94 | 10.02 |

** Proposed dividend*

LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2018

| Name | Class A shares | Class B shares | % of equity | % of votes |
|---|---|---|---|---|
| Traction Branding AB | 960,000 | 1,530,000 | 21.8% | 55.5% |
| State Street Bank & Trust Com., Boston | - | 1,487,017 | 13.0% | 7.4% |
| BNY Mellon SA/NV | - | 1,036,830 | 9.1% | 5.2% |
| Nordnet Pensionsförsäkring AB | - | 418,866 | 3.7% | 2.1% |
| Försäkrings AB, Avanza Pension | - | 400,803 | 3.5% | 2.0% |
| Nordea Investment Funds | - | 400,576 | 3.5% | 2.0% |
| Protector Forsikring ASA | - | 304,461 | 2.7% | 1.5% |
| BNP Paribas SEC Service Paris | - | 258,684 | 2.3% | 1.3% |
| IBKR Financial Services AGH | - | 224,697 | 2.0% | 1.1% |
| RBC Investor Services Trust, W8IMY | - | 191,331 | 1.7% | 1.0% |
| **Total** | **960,000** | **6,253,265** | **63.3%** | **79.1%** |
| Other shareholders (3,867) | - | 4,188,723 | 36.7% | 20.9% |
| **TOTAL** | **960,000** | **10,441,988** | **100.0%** | **100.0%** |

# Administration report

*The Board of Directors and the President of Nilörngruppen AB (publ), corporate ID number 556322-3782, hereby submit the annual report and consolidated financial statements for the financial year 1 January 2018 – 31 December 2018.*

**Corporate governance**
Nilörngruppen AB is a Swedish limited liability company 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 2018 Annual General Meeting, to be held in Borås 15 May 2019 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 2018 are available at the Company's website www.nilorn.com.

**Ownership structure**
As of 31 December 2018, the Company's share capital consisted of 960,000 Class A shares and 10,441,998 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 2018, there were 3,717 shareholders in Nilörngruppen AB (4,227). The largest shareholder was AB Traction via a subsidiary, which held 21.8 percent of the capital and 55.5 percent of the votes.

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

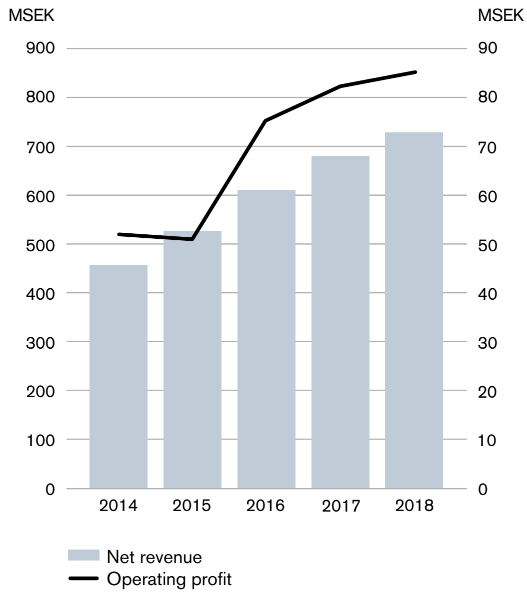
Nilorn is one of Europe's leading players with revenue of MSEK 729 (680). Nilorn delivers more than 1.5 billion labels per year of different sizes and types. Nilorn is represented with subsidiaries in Sweden, Denmark, Germany, Belgium, Great Britain, Portugal, Hong Kong, India, Turkey, Bangladesh, China and Pakistan.

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

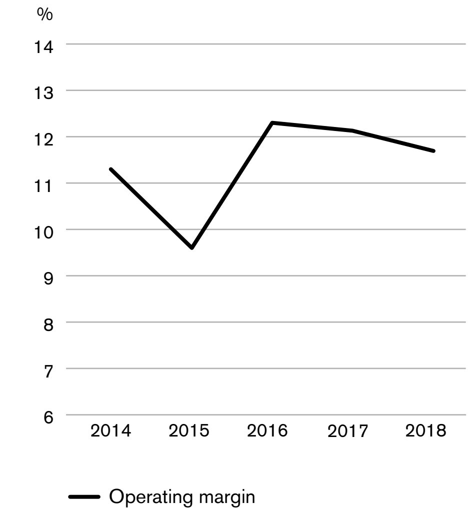
**Summary of 2018**
*Order bookings*
Order bookings increased by 3 percent to MSEK 738 (716).

*Net revenue*
Net revenue increased by 7 percent to MSEK 729 (680). Exchange rate fluctuations has a negative effect on revenue by MSEK 7. This means that the underlying organic growth increased revenue by 8 percent. The average TRY/SEK exchange rate weakened by 22 percent compared to the equivalent year-ago period, at the same time as the average exchange rate EUR/SEK strengthened by 6 percent. The Group's revenue is met by costs in each respective currency. The net effect on earnings is minimized thereby.

## NET REVENUE & OPERATING PROFIT




## OPERATING MARGIN



*Profit*
Operating profit amounted to MSEK 85.2 (82.4), which gives an operating margin of 11.7 (12.1) percent. The operating profit includes other operating revenue in an amount of MSEK 2.0 attributable to final settlement of the acquisition of HC Etiketter A/S.

Raw materials and goods for resale relative to revenue was 54.3 (53.6) percent. The gross profit margin is affected by product and client mix and by major individual orders.

External costs increased to MSEK 99.3 (96.5) and personnel costs increased to MSEK 144.8 (133.3). Costs for changing listing during 2017 amounted to MSEK 3.7. The increase in personnel costs is related to sales resources in Europe as well as hiring new personnel by the sustainability and RIS/RFID departments. Other external costs amounted to MSEK 13.6 (14.2) percent of revenue and personnel costs accounted for 19.9 (19.6) percent.

Depreciation and amortisation increased to MSEK 8.4 (6.3) as a result of investments in the Bangladesh factory and the new enterprise system.

The tax expense was MSEK 13.1 (17.2), equivalent to a tax rate of 15.7 percent (20.9). During the year, deferred tax assets have been booked in the amount of MSEK 5.3. This had a positive effect on taxes paid. MSEK 3.8 of the amount refers to a tax-loss carryforward in Belgium and MSEK 2.1 is attributable to tax subsidies relating to a capita investment in Portugal. The tax loss carryforward in Belgium is attributable to the closing of the factory in Belgium in the beginning of the 2000s. This is now capitalised as the company is deemed to have a stable earning capacity.

Profit after taxes amounted to MSEK 70.7 (65.0).

*Tied up capital*
Capital tied up in inventories decreased by MSEK 2 to MSEK 108 (110) and trade receivables increased by MSEK 7 to MSEK 83 (76). A large part of Nilorn's business is based in Asia, where both trade receivables and inventories are recorded in Hong Kong Dollar (HKD), which means that currency fluctuations will have considerable effect on capital tied up when converted to SEK. Assets are financed in local currency, however, so the effect on profit is marginal.

*Cash flow, capital expenditures and financial position*
Cash flow from operating activities amounted to MSEK 60 (66).

Cash flow from investment activities amounted to MSEK –28 (–23), of which MSEK 5 relates to investment in a new enterprise system and MSEK 16 relates to tangible non-current assets, where the investment in looms in Portugal is the largest item. Last year acquisition of tangible fixed assets amounted to MSEK 13, relating to investment in a new enterprise system and the purchase of customer relationships from HC Etiketter in Denmark. Net interest-bearing liabilities (assets) amounted to MSEK −3 at year-end (9). Cash and cash equivalents amounted to MSEK 38 at year-end (45). In addition hereto there were unutilised bank credit facilities totalling MSEK 47 (51).

Equity amounted to MSEK 181 at year-end (154). The difference is made up of the year's profit of MSEK 71 (65), dividend paid MSEK –46 (–41) and translation differences of MSEK 2 (–8).

The equity ratio at year-end stood at 53 percent (49).

*Reporting of segments*
The Group's segments are geographic areas. The table in Note 3 shows revenue and results. During the year external revenue restated to SEK grew by 5 percent in Asia, by 13 percent in other Europe and decreased by 1 percent in the Nordic region. The relatively large increase in Europe is a function of large new customers and a sharp increase in Turkey when volumes are moved from China among other countries. Asia accounts for 57 percent of consolidated revenue as most of the Group's deliveries are to our customers' suppliers in Asia.

Operating profit increased in Asia by MSEK 0.2 to MSEK 37.6, other Europe by MSEK −1.5 to MSEK 35.6 and the Nordic region by −2.4 to MSEK 12.9.

The consolidated operating profit improved by MSEK 6.6 to MSEK −0.8, since in 2017 we had listing costs in connection with the change of flisting of MSEK 3.7 and larger charges to the subsidiaries.

*Personnel*
The average number of employees in the Group at year-end 2018 was 482 (444), of whom 210 (208) were women. 265 (257) were engaged in production and warehousing. For additional details refer to Note 7.

Since May 2018 there is a compensation committee for handling salary levels, pension benefits, incentive matters and other terms of employment for the President and other members of Group management.

*Significant events*
- The Board of Directors has decided to propose a dividend of SEK 4.00 (4.00) per share.
- Very positive development for the Bangladesh plans, which was inaugurated in the beginning of the year.
- Nilorn changed listing from First North Premier to OMX Small Cap.
- Strong development in Germany with several new, exciting customers.
- Strong development for Nilorn Turkey, in terms of volume as well as earnings.
- Decision to build new premises for the English business.
- Efforts relating to sustainability were further intensified.
- Positive result in all operative Nilorn companies.

**Transactions with closely related parties**
During the year Nilörngruppen sold services for TSEK 95 (109) to the principal owner, AB Traction with subsidiaries. No transactions with a significant effect on the Group's profit and financial position have occurred during the period. The Parent Company's transactions with subsidiaries relate to design, product development, IT and other services.

For information about salaries and other remuneration to management and the Board of Directors, see Note 7.

**Research and development**
Costs for research and development are expensed and were less than one percent of net revenue for 2018 (<1 percent).

**Risks and uncertainty factors**
Nilorn is dependent on economic developments in individual markets were the Company conducts business as well as the overall economic development in the world. Political decisions, such as the introduction of quotas and custom duties, may also affect the Company's economic development, at least in the short term.

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

### Financial risks

Nilorn 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 in foreign subsidiaries, and
- Credit risks relating to financial and commercial activities.

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

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

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

The full sustainability report 2018 for Nilorn is available at: http://www.nilorn.com/sustainability

### The Group's outlook for 2019

The market climate was somewhat more challenging during 2018, but Nilorn managed to increase revenue by 7 percent, which is proof of the Group's relative strength. Nilorn has been successful in capturing orders. The German markets in particular continued to display strength. Our efforts on sustainability, RFID and design have given us competitive advantages and we are now focusing sharply on sales to new customers, which is expected to have a positive effect during 2019. The pace of change depends on the overall economic situation and our earnings performance. In 2019 we will be investing in more looms and multi-colour printing in Bangladesh, a property in England, several new looms in Portugal and we will continue the roll-out of the Group's new enterprise system. The goal of our investments in additional production capacity is to secure the quality of the deliveries to meet sharply increased demand, especially in Bangladesh. Installation of the Group's new enterprise system has been ongoing throughout 2018 and is expected to be completed in all companies during the year 2020.

Nilorn will continue to invest in sustainability with the goal of offering the market's best solution in this area. Nilorn will also add more resources to RFID (intelligent labels) where we are working on several customer projects, which we hope will lead to concrete orders.

### The Parent Company's business

The Parent Company's business consists essentially consists of managing group-wide functions such as branding and design, product development, finance, administration, information and IT. The number of employees at year-end was 22 (21).

Dividends from subsidiaries were received during the year in the amount of MSEK 54 (52) and group contributions were received in a net amount of MSEK 10 (5).

Net revenue for the period January - December amounted to MSEK 22 (21). The operating result amounted to MSEK −2.1 (−7.4) and the profit after net financial items was MSEK 50 (44).

### Proposed allocation of profit (TSEK)

The Company's annual accounts will be presented for adoption at the Annual General Meeting to be held 15 May 2019.

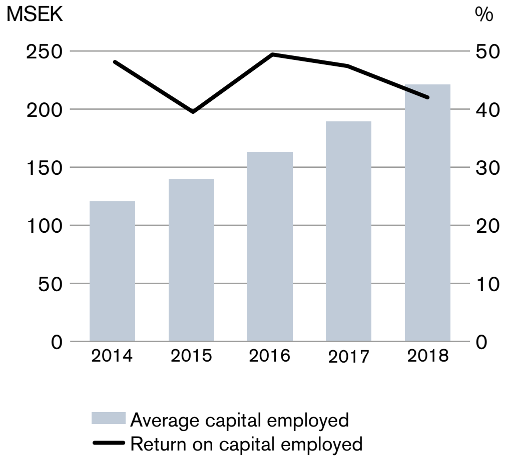
The following earnings in the Parent Company are available for allocation:

| | |
|---|---|
| **Retained earnings** | **74,143** |
| Dividend 2018 | −45,606 |
| Profit for the year | 56,810 |
| **Funds available for distribution** | **85,347** |

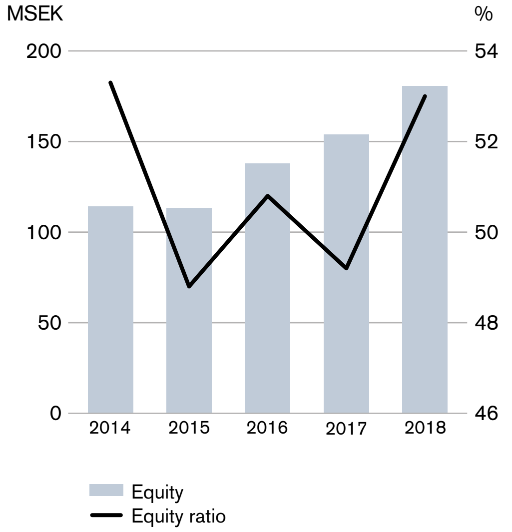
The dividend proposed by the Board of Directors amounts to MSEK 45.6, equivalent to SEK 4.00 (4.00) per share. The consolidated equity attributable to the Parent Company's shareholders amounts to MSEK 180.8 as of 31 December 2018 and unrestricted equity in the Parent Company was MSEK 85.3. Taking the above into account, and what has otherwise come to the knowledge of the Board of Directors, the assessment of the Board of Directors is that the proposed dividend is justifiable considering the demands that the nature, scope and risks of the business poses on the size of the Company's and the Group's equity, as well as on the Group's consolidation needs, liquidity and financial position in other respects.

Regarding the Group's and the Parent Company's results and financial position in other respects, reference is made to the following income statements, balance sheets and accompanying notes to the financial statements.

## CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED




## EQUITY AND EQUITY RATIO





*Product development* | **RESPEKT**

# Corporate governance report

### Corporate Governance

Nilörngruppen applies the principles of good corporate governance to promote trust among all stakeholders, thereby increasing competitiveness. Among other things, this means that operations are organized 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 as a responsible company.

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

Described below is how the Group is governed, step by step, from the owners to the operative activities and how corporate governance was conducted in Nilörngruppen during 2018.

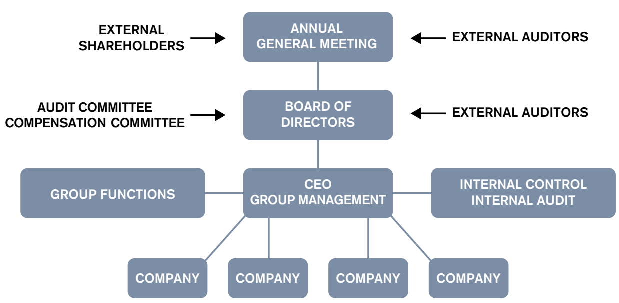
### The Swedish Code of Corporate Governance

*Deviations from the code*

**Rule:** Nomination committee

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

CORPORATE GOVERNANCE




### Articles of Association

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

Responsibility for management and control of the Group is shared among shareholders at the General Meeting of Shareholders and the President, which is in keeping with the Swedish Companies Act, other laws and regulations, rules in force for listed companies, the Articles of Association, the internal rules of procedure of the Board of Directors and other internal governance instruments.

### Shareholders

At year-end 2018 Nilörngruppen had 3,717 shareholders (4,227). At year-end the ten largest shareholders owned 62 percent of the capital and 78 percent of the votes and the largest shareholder, AB Traction, through subsidiaries, owned 22 percent of the capital and 56 percent of the votes.

### General meeting of shareholders

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 bring 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 2018

The Annual General Meeting of Nilörngruppen was held 16 May 2018 in Borås. Complete information about the 2018 Annual General Meeting is available at the website, www.nilorn.com.

### Annual General Meeting 2019

The Annual General Meeting will be held at 5:00 p.m., 15 May 2019 at the head office in Borås.

### The Board of Directors and its independence

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

The Board of Directors shall consist of not less than three and a maximum of six directors. Since the 2018 Annual General Meeting the

COMPOSITION OF THE BOARD OF DIRECTORS

| 2018 | | | Presence | | Independence | |
|---|---|---|---|---|---|---|
| Directors | Elected | Fee SEK | Regularly scheduled Board of Directors meetings | Statutory Board of Directors meetings | Relative to the Company and management | Relative to major shareholders |
| Petter Stillström (Chairman since 2009) | 2007 | 180,000 | 5/5 | 1/1 | yes | no |
| Gunilla Brisinger | 2017 | 100,000 | 5/5 | 1/1 | yes | yes |
| Marie Nilsson Peterzén | 2016 | 100,000 | 5/5 | 1/1 | yes | yes |
| Vilhelm Schottenius | 2009 | 100,000 | 5/5 | 1/1 | yes | yes |
| Blenda Lagerkvist | 2018 | 100,000 | 4/4 | 1/1 | yes | yes |
| Johan Larsson | 2018 | 100,000 | 4/4 | 1/1 | yes | yes |

Board of Directors has had six members. At the 2018 Annual General Meeting Petter Stillström, Vilhelm Schottenius and Marie Nilsson Peterzén and Gunilla Brisinger were re-elected and Blenda Lagerkvist and Johan Larsson was elected as new directors. All directors except Petter Stillström are independent relative to the Company and its major owners. Petter Stillström is the President of AB Traction and a major owner of the company.

### Tasks of directors

The tasks of the Board of Directors are governed by law and recommendations and by the rules of procedure of the Board of Directors. The Board of Directors review the rules of procedure annually and adopts them by a decision of the Board of Directors. The rules of procedure regulate the distribution of responsibility between the Board of Directors and the President, the President's powers, the meeting schedule and reporting. The Board of Directors meetings deal with budgets, interim reports, the annual accounts, the business situation, capital expenditures and business establishment. The Board of Directors also receive on a monthly basis reports on the Company's financial position. At the regularly scheduled Board of Directors meetings reports are also submitted about the day-to-day operations of the Group's companies, with in-depth analysis and proposals for action. Also dealt with are issues concerning long-term business strategy and structural and organisational issues. As the Board of Directors consists of Swedish directors only, Swedish is spoken at meetings and all documentation is in Swedish. Normally, five to ten board of directors meetings are held each year. During 2018 the Board of Directors held five regularly scheduled meetings and one statutory meeting after the Annual General Meeting. The Chief Financial Officer of the Group serves as board secretary. The Chairman maintains regular contact with the President and follows the Group's business and development.

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

### Audit committee

The Board of Directors has considered the matter of establishing a separate audit committee but has decide 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 assures the Company's internal governance and control with respect to:

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

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

### Remuneration committee

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

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

### Terms of employment for the CEO

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

### Compensation to the Board of Directors

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

### Auditor

At the 2018 Annual General Meeting, the audit firm KPMG was appointed as auditor. In conjunction with the Annual General Meeting, Thomas Bohlin was appointed to serve as responsible for the audit. Thomas Bohlin's other assignments include Eton, Starsprings, Teknos, Finepart and Nelly NYL Thomas Bohlin owns no shares in Nilörngruppen.

### The audit work

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

### Operational management of the business

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

- *Chief Financial Officer*
- *Asia manager*

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

# Report of the Board of Directors on internal control

### General

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

### Control environment

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

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

### Risk assessment

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

### Control activities

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

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

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

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

### Information and communication

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

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

### Follow-up

The Board of Directors and management monitors on an ongoing basis the Group's compliance with adopted policies and guidelines. Nilorn's business units are integrated through common business and consolidated reporting systems, as well as common accounting instructions. The Group's central financial function also co-operates closely with subsidiary controllers with respect to financial statements and reporting. Nilorn has no separate internal audit function. However, Nilorn does have a defined process for evaluation and follow-up of internal control. The form of follow-up is decided by the Board of Directors, which also evaluates annually the need for a separate internal auditing function.

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

| *Amounts in SEK thousand* | Note | 2018 | 2017 |
|---|---|---|---|
| | 1, 2 | | |
| Net revenue | 3 | 729,188 | 680,388 |
| Other operating income | 5 | 9,259 | 6,139 |
| **Total operating revenue** | | **738,447** | **686,527** |
| Raw materials, supplies and goods for resale | | –396,033 | –364,600 |
| Other external costs | 28 | –99,346 | –96,462 |
| Personnel costs | 7 | –144,770 | –133,311 |
| Depreciation and amortisation | 9, 10 | –8,362 | –6,287 |
| Other operating expenses | 6 | –4,699 | –3,458 |
| **Operating profit** | 3 | **85,237** | **82,409** |
| Financial income | 3, 26 | 587 | 925 |
| Financial expense | 3, 27 | –1,978 | –1,092 |
| **Net finance items** | | **–1,391** | **–167** |
| **Profit before taxes** | | **83,846** | **82,242** |
| Taxes | 3, 8 | –13,122 | –17,219 |
| **Profit for the year** | | **70,724** | **65,023** |
| | | | |
| Attributable to: | | | |
| The Parent Company's equity holders | | 70,724 | 65,023 |
| | | | |
| 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 | | 6.20 | 5.70 |
| Earnings per share, SEK, after dilution | | 6.20 | 5.70 |
| Dividend per share, SEK (for 2018, as proposed by the Board of Directors) | | 4.00 | 4.00 |

# Consolidated Report on Comprehensive Result

| *Amounts in SEK thousand* | 2018 | 2017 |
|---|---|---|
| Profit for the year | 70,724 | 65,023 |
| **Other comprehensive result that can be included in profit for the year** | | |
| Translation differences | 1,723 | –7,832 |
| **Items not attributable to profit for the year** | | |
| Revaluation of defined benefit pension scheme | 13 | –22 |
| **Comprehensive result for the period** | **72,460** | **57,169** |
| | | |
| Comprehensive result for the period attributable to: | | |
| The Parent Company's equity holders | 72,460 | 57,169 |

# Consolidated Balance Sheet

| *Amounts in SEK thousand* | Note | 2018 | 2017 |
|---|---|---|---|
| ASSETS | 1, 2 | | |
| **Non-current assets** | | | |
| Intangible non-current assets | 9 | 16,594 | 14,673 |
| Tangible non-current assets | 10 | 52,760 | 43,106 |
| Shares in associated companies | 12 | 493 | 482 |
| Long-term receivables | 13 | 2,974 | 2,307 |
| Deferred tax assets | 8 | 7,469 | 2,298 |
| **Total non-current assets** | | **80,290** | **62,866** |
| **Current assets** | | | |
| Inventories | 15 | 107,934 | 110,017 |
| Trade receivables | 16 | 83,175 | 76,238 |
| Other receivables | | 5,204 | 4,627 |
| Current tax assets | | 6,640 | 5,182 |
| Prepaid expenses and accrued income | 17 | 19,973 | 8,650 |
| Derivative instruments | 30 | 68 | 199 |
| Cash and cash equivalents | | 37,935 | 44,837 |
| **Total current assets** | | **260,929** | **249,750** |
| **TOTAL ASSETS** | | **341,219** | **312,616** |
| | | | |
| **EQUITY AND LIABILITIES** | 1, 2 | | |
| **Equity** | | | |
| Share capital | | 2,850 | 2,850 |
| Other contributed capital | | 43,231 | 43,231 |
| Reserves | | –4,037 | –5,760 |
| Retained earnings, including profit for the year | | 138,723 | 113,592 |
| **Equity attributable to the Parent Company's equity holders** | | **180,767** | **153,913** |
| **Total equity** | | **180,767** | **153,913** |
| **Long-term liabilities** | | | |
| Long-term provisions | 19 | 528 | 760 |
| Deferred tax liabilities | 8 | 1,558 | 482 |
| Other non-interest-bearing liabilities | | 17 | - |
| **Total long-term liabilities** | | **2,103** | **1,242** |
| **Current liabilities** | | | |
| Short-term interest-bearing liabilities | 18 | 40,457 | 35,677 |
| Trade payables | | 69,602 | 61,721 |
| Current tax liabilities | | 3,716 | 4,509 |
| Other non-interest-bearing liabilities | | 6,613 | 10,703 |
| Accrued expenses and prepaid income | 20 | 37,961 | 44,851 |
| **Total current liabilities** | | **158,349** | **157,461** |
| **TOTAL EQUITY AND LIABILITIES** | | **341,219** | **312,616** |

# Changes in Consolidated Equity

| Amounts in SEK thousand | Share capital | Other contributed capital | Reserves | Retained earnings incl. Profit for the year | Total | Total equity |
|---|---|---|---|---|---|---|
| OPENING EQUITY 2017-01-01 | 2,850 | 43,231 | 2,072 | 89,638 | 137,791 | 137,791 |
| Profit for the year | | | | 65,023 | 65,023 | 65,023 |
| **Other comprehensive result** | | | | | | |
| Translation differences during the period | | | –7,832 | | –7,832 | –7,832 |
| Revaluation of planned benefit pension scheme | | | | –22 | –22 | –22 |
| **Transactions with shareholders** | | | | | | |
| Dividend | | | | –41,047 | –41,047 | –41,047 |
| EQUITY 2017-12-31 | 2,850 | 43,231 | –5,760 | 113,592 | 153,913 | 153,913 |
| Profit for the year | | | | 70,724 | 70,724 | 70,724 |
| **Other comprehensive result** | | | | | | |
| Translation differences during the period | | | 1,723 | | 1,723 | 1,723 |
| Revaluation of planned benefit pension scheme | | | | 13 | 13 | 13 |
| **Transactions with shareholders** | | | | | | |
| Dividend | | | | –45,606 | –45,606 | –45,606 |
| EQUITY 2018-12-31 | 2,850 | 43,231 | –4,037 | 138,723 | 180,767 | 180,767 |

**Classification of equity**

*Share capital*

The share capital item includes the Parent Company's registered share capital. The share capital consists of 960,000 Class A share (quotient value, SEK 0.25 each) and 10,441,988 Class B shares (quotient value, SEK 0.25 each). The number of shares outstanding increased during 2015 through a split 4:1, i.e. for new shares for each one old share. There was no change in the distribution of Class A shares and Class B shares during the year.

*Other contributed capital*

Transactions during the year consist of issuing shares at a premium. The amount included in Other contributed capital thus includes capital received in excess of the nominal amount of the issue in its entirety.

*Reserves*

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

*Retained earnings*

Retained earnings are the accumulated profits and losses generated in total by the Group, less dividends paid.

**Capital management**

The Group's equity, which is attributable to the equity holders of the Parent Company in its entirety, at year-end amounted to SEK 180,767 (153,913). Nilorn's financial strategy is to create to create sound financial conditions for the Group's operations and development. For 2018 the return on equity was 42.3 percent (44.6) and the equity ratio was 53 percent (49.2).

The Board of Directors proposes a dividend of SEK 4.00 per share, a total of TSEK 45,608 for 2018.

# Consolidated Cash Flow Statement

| *Amounts in SEK thousand* | **2018** | **2017** |
|---|---|---|
| **Operating activities** | | |
| Operating profit | 85,237 | 82,409 |
| Adjustment for items not included in cash flow | | |
| Depreciation/amortisation/impairment charges | 8,362 | 6,287 |
| Capital gains/losses on non-current assets | 80 | 481 |
| Other items not affecting cash and cash equivalents | 1,025 | 2,566 |
| | **94,704** | **91,743** |
| Interest income | 590 | 1,051 |
| Interest expense | –1,981 | –1,218 |
| Taxes paid | –15,373 | –19,831 |
| **Cash flow from operating activities before changes in working capital** | **77,940** | **71,745** |
| **Cash flow from changes in working capital** | | |
| Inventories | 4,911 | –28,513 |
| Trade receivables | –3,577 | –10,267 |
| Other short-term receivables | –10,930 | 6,634 |
| Trade payables | 5,462 | 18,277 |
| Other liabilities | –14,082 | 8,352 |
| **Cash flow from operating activities** | **59,724** | **66,228** |
| **Investment activities** | | |
| Acquisition of intangible non-current assets | –4,994 | –12,493 |
| Acquisition of tangible non-current assets | –15,505 | –10,844 |
| Acquisition of financial non-current assets | - | 13 |
| Received on sale of tangible non-current assets | 423 | 887 |
| Change in long-term receivable | –8,136 | –223 |
| **Cash flow from investment activities** | **–28,212** | **–22 ,660** |
| **Financing activities** | | |
| Raising loans | 5,546 | 10,177 |
| Dividend paid | –45,606 | –41,047 |
| **Cash flow from financing activities** | **–40,060** | **–30,870** |
| **Cash flow for the year** | **–8,548** | **12,698** |
| Cash and cash equivalents at beginning of year | 44,837 | 35,210 |
| Translation difference in cash and cash equivalents | 1,646 | –3,071 |
| **Cash and cash equivalents at year-end** | **37,935** | **44,837** |

** Cash and cash equivalents are defined as bank deposits and short-term investments with a maturity of less than three months.*

# Parent Company Income Statement

| *Amounts in SEK thousand* | Note | 2018 | 2017 |
|---|---|---|---|
| | 1, 2 | | |
| Net revenue | 4 | 29,413 | 26,702 |
| Other operating income | 5 | 128 | 920 |
| | | **29,541** | **27,622** |
| Raw materials, supplies and goods for resale | 4 | –93 | –156 |
| Other external costs | 28 | –10,867 | –13,480 |
| Personnel costs | 7 | –19,186 | –20,688 |
| Depreciation, amortisation and impairment charges | 9, 10 | –1,457 | –663 |
| **Operating result** | | **–2,062** | **–7,365** |
| **Result from financial investments** | | | |
| Result from shares in Group companies | 29 | 53,863 | 51,670 |
| Interest income and similar items | 26 | 1,743 | 1,393 |
| Interest expense and similar items | 27 | –3,144 | –1,969 |
| **Profit after finance items** | | **50,400** | **43,729** |
| Year-end appropriations | 24 | 7,840 | 7,500 |
| Taxes on the year's profit | 8 | –1,430 | 27 |
| **Profit for the year** | | **56,810** | **51,256** |

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

# Parent Company Balance Sheet

| *Amounts in SEK thousand* | **Note** | **2018** | **2017** |
|---|---|---|---|
| **ASSETS** | 1, 2 | | |
| **Non-current assets** | | | |
| Intangible non-current assets | 9 | 12,892 | 8,857 |
| Tangible non-current assets | 10 | 1,560 | 1,940 |
| *Financial non-current assets* | | | |
| Shares in Group companies | 11 | 119,282 | 98,376 |
| Due from Group companies | 14 | 4,749 | 82 |
| Deferred tax assets | 8 | - | 446 |
| *Total financial non-current assets* | | *124,031* | *98,904* |
| **Total non-current assets** | | **138,483** | **109,701** |
| **Current assets** | | | |
| *Short-term receivables* | | | |
| Due from Group companies | | 102,622 | 92,193 |
| Other receivables | | 3,854 | 3,920 |
| Prepaid expenses and accrued income | 17 | 952 | 901 |
| Derivative instruments | 30 | 64 | 199 |
| *Total short-term receivables* | | *107,492* | *97,213* |
| **Cash and cash equivalents** | | **107,492** | **97,213** |
| **TOTAL CURRENT ASSETS** | | **245,975** | **206,914** |
| | | | |
| **EQUITY AND LIABILITIES** | 1, 2 | | |
| **Equity** | | | |
| *Restricted equity* | | | |
| Sharen capital (960,000 Class A shares, quotient value SEK 0.25 and 10,441,988 Class B shares, quotient value SEK 0.25) | | 2,850 | 2,850 |
| *Total restricted equity* | | *2,850* | *2,850* |
| *Unrestricted equity* | | | |
| Retained earnings | | 28,535 | 22,887 |
| Profit for the year | | 56,810 | 51,256 |
| *Total unrestricted equity* | | *85,345* | *74,143* |
| **Total equity** | | **88,195** | **76,993** |
| **Untaxed reserves** | 23 | **4,186** | **2,186** |
| **Current liabilities** | | | |
| Interest-bearing liabilities to credit institutions | 18 | 30,952 | 40,454 |
| Trade payables | | 1,716 | 1,485 |
| Due to Group companies | | 113,629 | 75,336 |
| Other non-interest-bearing liabilities | | 939 | 1,137 |
| Accrued expenses and prepaid income | 20 | 6,358 | 9,323 |
| **Total current liabilities** | | **153,594** | **127,735** |
| **TOTAL EQUITY AND LIABILITIES** | | **245,975** | **206,914** |


*Product development* | **8020**

# Changes in the Parent Company's Equity

| *Amounts in SEK thousand* | Share capital | Unrestricted equity | Total equity |
|---|---|---|---|
| **EQUITY 2017-01-01** | **2 850** | **63,934** | **66,784** |
| Profit for the year | - | 51,256 | 51,256 |
| Dividend | - | –41,047 | –41,047 |
| **EGET KAPITAL 2017-12-31** | **2 850** | **74,143** | **76,993** |
| Profit for the year | - | 56,810 | 56,810 |
| Dividend | - | –45,608 | –45,606 |
| **EQUITY 2018-12-31** | **2 850** | **85,345** | **88,195** |

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

# Parent Company Cash Flow Statement

| *Amounts in SEK thousand* | 2018 | 2017 |
|---|---|---|
| **Operating activities** | | |
| Operating result | –2,062 | –7,365 |
| *Adjustment for items not included in cash flow* | | |
| Depreciation/amortisation/impairment charges | 1,457 | 663 |
| | **–605** | **–6,702** |
| Interest income | 1,743 | 1,393 |
| Interest expense | –3,144 | –1,969 |
| Paid taxes | –984 | 963 |
| **Cash flow from operating activities before changes in working capital** | **–2,990** | **–6,315** |
| **Cash flow from changes in working capital** | | |
| Other short-term receivables | –439 | –40,429 |
| Trade payables | 231 | 512 |
| Other current liabilities | 35,128 | 20,418 |
| **Cash flow from operating activities** | **31,930** | **–25,814** |
| **Investment activities** | | |
| Acquisition of in-tangible non-current assets | –4,888 | –6,306 |
| Acquisition of tangible non-current assets | –224 | –1,143 |
| Acquisition of and contributions to Group companies | –20,906 | –234 |
| Change in long-term receivables | –4,667 | 966 |
| **Cash flow from investment activities** | **–30,686** | **–6,717** |
| **Financing activities** | | |
| Net change in interest-bearing short-term loans | –9,502 | 18,212 |
| Dividend income | 53,863 | 51,670 |
| Group contributions, received | - | 10,530 |
| Group contribution, paid | - | –7,020 |
| Paid dividend | –45,606 | –41,047 |
| **Cash flow from financing activities** | **–1,245** | **32,345** |
| **Cash flow for the year** | **0** | **–186** |
| Cash and cash equivalents at beginning of year | 0 | 186 |
| **Cash and cash equivalents at year-end** | **0** | **0** |

** Cash and cash equivalents are defined as bank deposits and short-term investments with a maturity of less than three months.*

# NOTES

Contents



## 1) Accounting policies

The consolidated financial statements for Nilörngruppen AB for the financial year ending 31 December 2018 have been approved by the Board of Directors and the President for publication on 12 April 2018 and will be presented to the 2018 Annual General Meeting for adoption. The Parent Company is a Swedish corporation (publ.), domiciled in Borås, Sweden.

**Regulations applied**

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

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

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

*Group*

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Since Nilörngruppen AB is a company within EU, only IFRS approved by EU are applied. Supplementary information in accordance with RFR 1 of the Swedish Financial Reporting Board has been considered.

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

*Critical estimates and judgments*

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

- Judgement if the probability that deferred tax assets may be realised;
- Judgments in reporting the accounting treatment of internally developed software;
- Judgements and significant assumptions in impairment-testing of assets;
- Judgments when determining and disclosures regarding provisions and contingent liabilities.

*New accounting policies*

IASB has issued several new and adjusted accounting standards that came into force on 1 January 2018. As presented in previous reports, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers had only limited effect on the Group's accounting. The effects are judged to be immaterial and the transition as had no effect on the opening balances for 2018. The Group has updated the accounting policies as an effect of the new standards. Refer to Accounting Policies above. No other adjusted accounting policies issued by IASB and which have entered into force are deemed to have had any significant effect on the Group's financial reports.

*New accounting policies 2019*

IASB issued several new and amended accounting standards that came into force on 1 January 2019. Only IFRS 16 Leases had an effect on the Group's financial reports. IFRS 16 Leases came into force on 1 January 2019. The standard removes the distinction of leases as either operating or financial leases for the lessee, which is required under IAS 17, and instead introduces a common model for reporting of all leases. Under this model the lessee must report (a) assets and liabilities for all leases with a lease period of more than 12 months, except in the case of leases for assets of low value, and (b) depreciation of separately from the interest cost for leasing in the income statement. In the transition to IFRS 16 on 1 January 2019 Nilorn used a modified retroactive method, which means that the financial reports for 2018 have not been restated. The lease liability is the present value of all future fees until the leasing contract has expired. The simplification rule that the value in use asset (before adjustment for any prepayments) shall be equivalent to the lease liability was applied in the transition. The discount rate is the Group's marginal borrowing rate taking the duration of the lease into account.

The simplification rule for definition of a lease has been applied, which means that all components of a lease have been considered a lease component. The exceptions of not reporting short-term leases and assets of low value have also been applied. Judgments and assumptions must be made by management to determine extension options for the right of use, and the present value of the lease liability. Such judgments and assumptions include identifying a lease, to determine the lease period and to identify the discount interest rate. The opening balance of the leasing liability and the value in use amounts to MSEK 63 for existing leases. Each respective company's marginal borrowing rate has been used to discount the lease liability. Refer to Note 26 for information about the financial effects of the transition to IFRS 16.

Management believes that other new or amended standards and new interpretations not yet in force are not expected to have significant impact on the Group's financial reports when applied for the first time.

*Parent Company*

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

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

Due to the relationship between the accounting and taxation, the deferred tax liability on untaxed reserves is reported as a part of untaxed reserves.

**Bases for consolidation**

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

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

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

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

Note 1 continued

## Non-current assets

*Intangible and tangible non-current assets*

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

Intangible and tangible non-current assets are valued at cost, less depreciation according to plan and any impairment. Depreciation according to plan is calculated based on the acquisition value and is effected after a for each asset individually assessed period of use. Residual values have been deemed irrelevant and are not taken into account. Depreciation commences from the date of acquisition.

Depreciation commences on the date of acquisition. The following intervals shows the assessment made for each asset class.

| | |
|---|---|
| *Intangible assets* | *10-20%* |
| *Buildings* | *1.25-10%* |
| *Plant and machinery* | *10-20%* |
| *Equipment, tools fixtures and fittings* | *20-33,3%* |

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

*Impairment of intangible and tangible non-current assets*

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

## Financial instruments

From 1 January 2018 (the date of transition to IFRS 9) the Group classifies its financial instruments and financial liabilities in the following categories:

- Financial assets valued at fair value, either via profit and loss or in other comprehensive result
- Financial assets valued at accrued cost
- Liabilities valued at accrued cost
- Derivative instruments

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

*Financial assets*

Assets held for the purpose of collecting contractual cash flows, and where these cash flows only consist of principal amounts and interest, are valued at accrued cost. They are included in current assets, except for items with a due date more than 12 months after the balance sheet date, which are classified as non-current assets. Interest income from these financial assets is recognised in accordance with the effective compound interest method and is included in financial income. The Group's financial assets valued at accrued cost (previously loan receivables and trade receivables) consist of items accounts receivable, other long-term receivables, and cash and cash equivalents.

Financial assets are carried in the balance sheet in the following amounts:

| Financial assets | Accrued cost 2018-12-31 | Loan receivables and trade receivables 2017-12-31 |
|---|---|---|
| Other long-term receivables | 2,974 | 2,307 |
| Trade receivables | 83,175 | 76,238 |
| Cash and cash equivalents | 37,935 | 44,837 |
| **Total** | **124,084** | **123,382** |

Purchases and sales of financial assets are recognised on the transaction date, the date when the Group undertakes to buy or sell the asset in question. Financial assets are removed from the balance sheet when the right to receive cash flows from the instruments expires or has been transferred and the Group has transferred essentially all risks and benefits associated with the right of ownership. Financial assets are initially valued at fair value, plus in cases where the asset is not recognised at fair value via profit and loss, transaction costs directly attributable to the purchase. After the time of acquisition, they are recognised at accrued cost derived by applying the effective compound interest method.

The Group makes an assessment of future expected credit losses linked to assets recognised at accrued cost. The Group sets aside a credit reserve for such expected credit losses on each reporting date. The loss reserve relating to financial assets is based on assumptions of the risk of default and expected loss levels. The Group makes its own assessment of assumptions and choice of input data for calculating impairment. These assessments are based on history, known market conditions and forward-looking calculations at the end of each reporting period. Refer to note 16 for assessment of the reserve set aside for accounts receivable losses.

*Financial liabilities*

Liabilities are classified as other financial liabilities, which means that they are initially recognised at amount received, after deduction of transaction costs. After the time of acquisition loans are valued at accrued cost in accordance with the effective compound interest method. Long-term liabilities have a tenor of more than one year, while current liabilities have a tenor of less than one year. Financial liabilities are recognised when the counterparty has performed and when a contractual obligation to pay exists, even though an invoice has not yet been received. Trade payables are obligations to pay for goods or services acquired from suppliers in the normal course of business. Trade payables are classified as current liabilities if they fall due within on year or earlier. If not, they are carried as long-term liabilities.

Financial liabilities are carried in the balance sheet in the following amounts:

| Financial liabilities | Accrued cost 2018-12-31 | Other financial liabilities 2017-12-31 |
|---|---|---|
| Short-term interest-bearing liabilities | 40,457 | 35,677 |
| Trade payables | 69,602 | 61,721 |
| **Total other liabilities** | **110,059** | **97,398** |

*Derivative instruments*

The Group's derivative instruments at year-end 2018 shown in Note 30.

*Comparison year 2017*

For comparison year 2017 financial instruments are recognised in accordance with IAS 39 and the Group classifies its financial instruments in the following categories: financial assets valued at fair value via profit and loss, loan receivables and accounts receivable, investments to be held until maturity, financial assets that may be sold, financial liabilities valued at fair value via profit and loss, and other financial liabilities. At year-end 2017 there were financial assets in the category loan receivables and accounts receivable and financial liabilities in the category other financial liabilities. These were reclassified as of 1 January 2018 to the category accrued acquisition value in accordance with IFRS 9. The reclassification had no significant effect on the amounts reported.

### Associated companies

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

Associated companies are reported in accordance with the equity method.

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

### Revenue recognition

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

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

### Leasing

Leasing agreements are classified in the consolidated financial statements either as financial or operating leases. Financial leasing exists when the economic risks and benefits associated with ownership essentially have been transferred to the lessee. In all other cases it is a matter of operating leasing. Nilorn has no significant financial leasing agreements as lessee. Operating leases include rental of premises.

### Financial income and expense

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

### Segment reporting

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

### Inventories

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

### Taxes

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

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

The taxes attributable to the year's change in untaxed reserves is recognised in the consolidated income statement as deferred taxes. The tax legislation in certain countries allows provision to separate reserves and funds.

Note 1 continued

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

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

**Contingent liabilities**

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

**Provisions**

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

**Pensions**

In Nilorn there are mostly defined contribution pension schemes. The Swedish companies switched during the year from a planned benefit ITP plan to a defined contribution ITP plan. There are planned benefit pension schemes in Turkey. The year's pension cost and the present value of defined benefit obligations for the employees in Turkey have been calculated using the Projected Unit Credit Method. For further information, refer to Note 19.

The Group's payments for defined contribution pension schemes are expensed in the period during which the employees have performed the services the fee relates to. The Group's total cost for defined contribution pension schemes is TSEK 6,486 (6,474), of which premiums paid in Sweden amount to TSEK 3,925 (3,813).

**Transactions with closely related parties**

During 2018 Nilörngruppen AB sold services to AB Traction and its subsidiaries for TSEK 95. From the perspective of the Group, there are no other transactions with closely related parties during 2018. The Parent Company's transactions with subsidiaries relate to design, product development, IT and other services.

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

**Important assessment and judgments**

Estimates and assumptions regarding the future that affect the balance sheet and income statement are made when preparing the accounts according to IFRS. These assessments are based on historical experience and the various assumptions that management and the Board of Directors deem to be reasonable under prevailing conditions. In cases when it is not possible to determine the carrying amount of assets and liabilities through information from other sources, such assessments and judgments constitute the basis for the valuation. If other assumptions are made, or other circumstances arise, the actual outcome may differ from these judgments. Judgments may have a significant effect on Nilorn's profits and financial position especially in the area of taxes and disputes, and in measuring trade receivables.

*Valuation of tax loss carryforwards*

As of 31 December 2018, the group has tax loss carryforwards amounting to TSEK 25,627. These tax loss carryforwards have been investigated as of the balance sheet date and it has been judged that tax loss carryforwards can be offset against future taxation. Deferred tax assets attributable to these tax loss carryforwards amount to TSEK 3,783 and refer to tax loss carryforwards in Belgium, which can be utilized indefinitely. The businesses in Belgium are expected to generate future profits. Nilorn is therefore is therefore of the opinion that factors which convincingly suggest that these tax loss carry forwards can be used to offset future taxable surpluses.

*Disputes*

Nilorn is not involved in any disputes.

*Trade receivables*

Receivables are reported net after making a provision for doubtful claims. The net value reflects the amounts expected to be collected based on circumstances known on the balance sheet date. Changes in circumstances, for example an increase in defaults, or changes in significant customer's financial position, may entail significant discrepancies in the valuation. At year-end 2018 trade receivables amounted to TSEK 83,175, net after reserves for doubtful claims. The reserve for doubtful claims amounted to TSEK 76,238 at year-end 2017. The reserve for doubtful claims amounted to TSEK 7,341 at the end of 2018 (7,908).

*Receivables from Group companies and shares in Group companies (Parent Company)*

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

# 2) Financial risks and risk management

The Group is exposed through its operations to different kinds of financial risk. By financial risks is meant fluctuations in the Company's profits and cash flow due to changes in foreign exchange rates, interest rate levels, refinancing and credit risks. Management of the Group's financial risks is concentrated to a central finance function that operates based on a finance policy adopted by the Board of Directors.

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

### Currency risk

*Transaction exposure*

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

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

Counterparties in derivative transactions are only creditworthy banks, with a long-term rating of AA– according to S&P. There is no hedge accounting of forward contracts. Market valuation according to IAS 39 Financial Instruments: Recognition and measurement takes place on a continuous basis, which means that unrealised gains and losses are reported in the income statement.

*Balance exposure*

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

*Translation exposure*

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

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

### Interest risk

Interest risk refers to the risk that the Group's exposure to changes in market interest rates can have a negative effect on net profit. Management of the Group's interest rate exposure is centralised, which means that the central financial function is charged with responsivity for handling this exposure. The duration and loan terms for loans raised are determined based on Nilorn's future liquidity needs, the interest rate situation and other factors in the credit market, which may be relevant at the time of a need for borrowing. The interest rate on loans raised in the Group is never fixed for more than one year on loans longer than one year and for shorter loans the rate is never fixed for less than three months. Nilorn is well capitalised and the need for loan financing is basically limited to working capital financing in countries where overdraft checking account facilities are not available. Interest costs is estimated to increase by about 0.4 percent if the loan interest rate rises by 1 percent.

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

### Financing risk

Nilorn has an overdraft checking account facility in a total approved amount of MSEK 88, of which MSEK 31 was utilised as of 31 December 2018. The Company's need for external financing may increase over time. The Company's ability to pay its debt and fulfil its obligations and live up to the terms and conditions for the overdraft checking account facility, and also the Company's ability to raise loans on favourable terms and conditions, or to obtain credit at all and to make payments in accordance with its obligations, rests the Company's future profits, among other things. Certain aspects of the Company's results depend on economic, financial, competition-related and other factors beyond the control of Nilorn. If the Company fails in fulfilling its obligations under the checking account overdraft facility, or in the future breeches any of the terms and conditions for the credit, this may have a significant negative impact on the Company's business, results and financial position.

A continuous dialogue is conducted with the Groups main bank about the financing of the Group. Covenants exist with the Company's lenders.

### Raw materials risk

*Price risk*

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

*Supplier dependence*

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

### Credit risk

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

### IT security

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


*Product development* | **NEW FOUNDRY**

# 3) Reporting by Geographic Areas

PRIMARY SEGMENT – GEOGRAPHIC AREAS

| | Nordic Region | Other Europe | Asia | Group activities | Total |
|---|---|---|---|---|---|
| **2018 Financial year** | | | | | |
| *Revenue* | | | | | |
| External revenue | 67,933 | 247,749 | 413,506 | - | 729,188 |
| **Total revenue** | **67,933** | **247,749** | **413,506** | **0** | **729,188** |
| *Profit* | | | | | |
| Operating profit | 12,891 | 35,569 | 37,586 | –809 | 85,237 |
| Interest income | | | | 590 | 590 |
| Interest expense | | | | –1,981 | –1,981 |
| Taxes on the year's profit | | | | –13,122 | –13,122 |
| **Profit for the year** | **12,891** | **35,569** | **37,586** | **–15,322** | **70,724** |
| | | | | | |
| **2018 Financial year** | | | | | |
| *Revenue* | | | | | |
| External revenue | 68,893 | 218,752 | 392,743 | - | 680,388 |
| **Total revenue** | **68,893** | **218,752** | **392,743** | **0** | **680,388** |
| *Profit* | | | | | |
| Operating profit | 15,295 | 37,090 | 37,391 | –7,367 | 82,409 |
| Interest income | | | | 1,051 | 1,051 |
| Interest expense | | | | –1,218 | –1,218 |
| Taxes on the year's profit | | | | –17,219 | –17,219 |
| **Profit for the year** | **15,295** | **37,090** | **37,391** | **–24,753** | **65,023** |

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

# 4) Intra-Group purchases and sales

During the year Nilorn sold services to the principal owner, AB Traction and its subsidiaries, for TSEK 95 (109). There were no transactions during the year that significantly affected the Group's profit or financial position.

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

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

# 5) Other operating revenue

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Gains on sale of non-current assets | 114 | 335 | - | - |
| Exchange rate gains on receivables/liabilities of an operating nature | 5,272 | 4,584 | - | - |
| Other | 3,873 | 1,220 | 128 | 920 |
| **Total operating revenue** | **9,259** | **6,139** | **128** | **920** |

# 6) Other operating expenses

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| Capital losses | 36 | 18 |
| Exchange rate losses on receivables/liabilities of an operating nature | 4,622 | 3,440 |
| Other | 41 | - |
| **Total other operating expenses** | **4,699** | **3,458** |

# 7) Employees, salaries and other compensation

AVERAGE NUMBER OF EMPLOYEES (WHEREOF WOMEN)

| | Group | | | | Parent Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | 2018 | | 2017 | |
| Sweden | 41 | (19) | 40 | (18) | 22 | (5) | 21 | (4) |
| Denmark | 8 | (4) | 9 | (5) | | | | |
| Germany | 30 | (17) | 29 | (17) | | | | |
| Belgium | 11 | (7) | 10 | (6) | | | | |
| Turkey | 25 | (10) | 23 | (9) | | | | |
| Great Britain | 39 | (19) | 38 | (21) | | | | |
| Portugal | 58 | (32) | 61 | (34) | | | | |
| India | 20 | (6) | 20 | (6) | | | | |
| Bangladesh | 93 | (4) | 63 | (3) | | | | |
| China | 29 | (16) | 29 | (16) | | | | |
| Pakistan | 8 | (1) | 11 | (4) | | | | |
| Hong Kong | 120 | (75) | 111 | (69) | | | | |
| **Average number of employees** | **482** | **(210)** | **444** | **(208)** | **22** | **(5)** | **21** | **(4)** |

NUMBER OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT ON THE BALANCE SHEET DATE (OF WHOM WOMEN)

| | Group | | | | Parent Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | 2018 | | 2017 | |
| Directors | 6 | (3) | 4 | (2) | 6 | (2) | 4 | (2) |
| Presidents and other members of senior management | 13 | (2) | 14 | (2) | 2 | (-) | 2 | (-) |
| **Total number of directors and members of senior management** | **19** | **(5)** | **18** | **(4)** | **8** | **(2)** | **6** | **(2)** |

SALARIES, OTHER COMPENSATION AND SOCIAL BENEFITS

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Salaries and other compensation | 113,444 | 104,486 | 11,569 | 12,816 |
| Social benefits | 17,110 | 16,531 | 4,568 | 4,844 |
| Pension costs | 7,316 | 6,691 | 2,671 | 2,655 |
| **Total compensation** | **137,870** | **127,708** | **18,808** | **20,315** |

Note 7 continued

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 | |
|---|---|---|
| | 2018 | 2017 |
| Chairman Petter Stillström | 180 | 180 |
| Gunilla Brisinger | 100 | 100 |
| Blenda Lagerkvist | 100 | - |
| Johan Larsson | 100 | - |
| Vilhelm Schottenius | 100 | 100 |
| Marie Nilsson Peterzén | 100 | 100 |
| **Total compensation to the Board of Directors** | **680** | **480** |

COMPENSATION AND OTHER BENEFITS
TO OTHER MEMBERS OF SENIOR MANAGEMENT

| | Basic Salary | Variable compensation | Other benefits | Pension kostnad | Total | Social Benefits Parent Company |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| President | 1,672 | 459 | 14 | 439 | 2,584 | 1,030 |
| Other members of senior management, Parent Company | 1,002 | 227 | 119 | 265 | 1,613 | 349 |
| **Total** | **2,674** | **686** | **133** | **704** | **4,197** | **1,379** |
| Presidents of subsidiaries in Group management | 1,833 | 211 | 615 | 85 | 2,744 | |
| Presidents, subsidiaries | 8,114 | 654 | 490 | 440 | 9,698 | |
| **Group total** | **12,621** | **1,551** | **1,238** | **1,229** | **16,639** | |
| **2017** | | | | | | |
| President | 1,640 | 1,554 | - | 401 | 3,595 | 1,004 |
| Other members of senior management, Parent Company | 925 | 793 | 102 | 258 | 2,078 | 321 |
| **Total** | **2,565** | **2,347** | **102** | **659** | **5,673** | **1,325** |
| Presidents of subsidiaries in Group management | 1,758 | 270 | 545 | 81 | 2,654 | |
| Presidents, subsidiaries | 8,303 | 886 | 115 | 197 | 9,501 | |
| **Group total** | **12,626** | **3,503** | **762** | **937** | **17,828** | |

*President*

Compensation to Nilörngruppen's President for 2018, Claes af Wetterstedt, was decided by the Board of Directors and for the financial year amounted to TSEK 2,231 (3,194), TSEK 459 of which (1,554) was paid in the form of bonus. The notice period for the CEO is mutual twelve months. There is no agreement on severance payment.

*Other member of senior management*

Compensation to other members of senior management in the Parent Company was decided by the President in consultation with the Chairman of the Board of Directors. Salaries and other compensation to other members of senior management in the Parent Company amounted to TSEK 1,229 during the 2018 financial year (1 718). By other members of senior management in the Parent Company is meant the persons who together with the President constitute Nilörngruppen's management and are employed by Nilörngruppen AB. During 2018 Group management consisted of three persons, including the President: Claes af Wetterstedt, Krister Magnusson and Andrew Hoppe. Andrew Hoppe is employed by Nilorn East Asia Ltd.

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

*Pension commitments*

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

# 8) Taxes

TAXES IN THE YEAR'S PROFIT

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Current taxes | 17,556 | 16,609 | 985 | 29 |
| Deferred taxes | –4,127 | 276 | 445 | –56 |
| Current taxes applicable to prior years | –307 | 334 | - | - |
| **Total taxes on the year's profit** | **13,122** | **17,219** | **1,430** | **–27** |

RECONCILIATION OF REPORTED TAXES

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Profit before taxes | 83,846 | 82,242 | 58,240 | 51,229 |
| Taxes according to current tax rate 22% | 18,446 | 18,093 | 12,813 | 11,270 |
| | | | | |
| Non-deductible expenses | 1,103 | 665 | 35 | 45 |
| Non-taxable income | –747 | –1,241 | –11,849 | –11,367 |
| Profit in Group companies for which tax expenses are not reported | –1,219 | –487 | –391 | - |
| Losses in Group companies for which deferred tax assets are not recognized | - | 21 | - | - |
| Adjustment in previous year's tax assessment | –327 | –334 | 20 | –3 |
| Revaluation of deferred tax asset | –4,689 | –1,347 | 445 | - |
| Foreign tax rates | –575 | –435 | - | - |
| Other taxes | 1,130 | 2,284 | 357 | 28 |
| **Effective taxes** | **13,122** | **17,219** | **1,430** | **–27** |

DEFERRED TAX ASSET

| | Group | |
|---|---|---|
| **Change** | 2018 | 2017 |
| Opening balance | 2,298 | 3,307 |
| Revaluation of deferred tax assets | 3,729 | 104 |
| Utilisation of deferred tax assets | –391 | –2,107 |
| Other temporary differences | 1,869 | 1,067 |
| Effect of exchange rate fluctuations | –36 | –73 |
| **Closing balance** | **7,469** | **2,298** |
| | | |
| **Specification** | | |
| Internal profit | 117 | 117 |
| Tax loss carryforward | 3,783 | 700 |
| Other temporary differences | 3,569 | 1,481 |
| **Total deferred tax asset** | **7,469** | **2,298** |

DEFERRED TAX LIABILITY

| | Group | |
|---|---|---|
| **Change** | 2018 | 2017 |
| Opening balance | 482 | 1 157 |
| Other temporary differences | 644 | –15 |
| Untaxed reserves | 440 | –660 |
| Effect of exchange rate fluctuations | –8 | - |
| **Closing balance** | **1,558** | **482** |
| | | |
| **Specification** | | |
| Other temporary differences | 637 | 1 |
| Untaxed reserves | 921 | 481 |
| **Total deferred tax liability** | **1,558** | **482** |

Note 8 continued

As of 31 December 2018, the Group has tax-loss carryforwards totalling TSEK 25.627. These tax-loss carryforwards were assessed as of the balance sheet date and it has been deemed probable that the loss carry-forwards can be offset against surpluses in future taxation. Deferred tax assets attributable to these tax-loss carryforwards amount to TSEK 3,783 and relate to tax-loss carryforwards in Belgium, which can be utilised indefinitely. The businesses in Belgium are expected to generate future surpluses. Nilorn therefore is of the opinion that there are factors that convincingly suggest that the loss carryforwards to which they are attributable can be utilised to offset future taxable surpluses.

# 9) Intangible non-current assets

INTANGIBLE NON-CURRENT ASSETS, ACQUIRED EXTERNALLY

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Opening cost | 19,645 | 7,099 | 11,707 | 5,401 |
| Capital expenditures during the year | 4,933 | 12,370 | 4,888 | 6,306 |
| Sales and disposals during the year | –1,460 | - | - | - |
| Effect of exchange rate fluctuations | 336 | 176 | - | - |
| **Closing cost** | **23,454** | **19,645** | **16,595** | **11,707** |
| Opening accumulated depreciation and amortisation according to plan | 4,972 | 4,213 | 2,850 | 2,632 |
| Depreciation and amortisation according to plan during the year | 1,837 | 705 | 853 | 218 |
| Depreciation and amortisation according to plan on assets sold and disposed of during the year | –31 | - | - | - |
| Effect of exchange rate changes | 82 | 54 | - | - |
| **Closing accumulated depreciation and amortisation according to plan** | **6,860** | **4,972** | **3,703** | **2,850** |
| **Carrying value at year-end** | **16,594** | **14,673** | **12,892** | **8,857** |

OTHER INTANGIBLE NON-CURRENT ASSETS, INTERNALLY GENERATED

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Opening cost | 9,064 | 9,064 | 9,064 | 9,064 |
| **Closing cost** | **9,064** | **9,064** | **9,064** | **9,064** |
| Opening accumulated depreciation and amortisation according to plan | 9,064 | 9,064 | 9,064 | 9,064 |
| **Closing accumulated depreciation and amortisation according to plan** | **9,064** | **9,064** | **9,064** | **9,064** |
| **Carrying value at year-end** | **0** | **0** | **0** | **0** |

CARRYING VALUES OF INTANGIBLE NON-CURRENT ASSETS

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Goodwill | 3,585 | 5,712 | - | - |
| Other intangible non-current assets, externally generated | 13,009 | 8,961 | 12,892 | 8,857 |
| **Total** | **16,594** | **14,673** | **12,892** | **8,857** |

*Externally acquired intangible non-current assets consist of, among other things, customer relationships, pattern programmes and other acquired software. Costs for in-house development of an enterprise system adapted to operations are carried as an internally generated intangible asset.*

# 10) Tangible non-current assets

BUILDINGS AND LAND

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| Opening cost | 19,746 | 19,485 |
| Investments during the year | 2,091 | 656 |
| Reclassification | - | –528 |
| Effect of exchange rate fluctuations | 168 | 133 |
| **Closing cost** | **22,005** | **19,746** |
| Opening accumulated depreciation according to plan | 3,157 | 2,503 |
| Depreciation according to plan during the year | 562 | 551 |
| Reclassification | - | 42 |
| Effect of exchange rate fluctuations | 95 | 61 |
| **Closing accumulated depreciation according to plan** | **3,814** | **3,157** |
| **Carrying value at year-end** | **18,191** | **16,589** |

PLANT AND MACHINERY

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| Opening cost | 70,844 | 71,244 |
| Investments during the year | 9,916 | 582 |
| Sales and disposals during the year | –22,643 | –744 |
| Effect of exchange rate fluctuations | 1,327 | –238 |
| **Closing cost** | **59,444** | **70,844** |
| Opening accumulated depreciation according to plan | 59,898 | 58,682 |
| Depreciation according to plan during the year | 2,287 | 1,739 |
| Depreciation according to plan on assets sold and disposed of | –22,525 | –744 |
| Effect of exchange rate fluctuations | 701 | 221 |
| **Closing accumulated depreciation according to plan** | **40,361** | **59,898** |
| **Carrying value at year-end** | **19,083** | **10,946** |

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Investments during the year | 38,068 | 34,995 | 3,467 | 5,726 |
| Adjusted acquisition analysis | 4,154 | 8,465 | 224 | 1,143 |
| Sales and disposals during the year | –2,053 | –4,369 | - | –3,402 |
| Reclassification | - | 525 | - | - |
| Effect of exchange rate fluctuations | 967 | –1,548 | - | - |
| **Closing cost** | **41,136** | **38,068** | **3,691** | **3,467** |
| Opening accumulated depreciation according to plan | 22,497 | 23,773 | 1,527 | 4,482 |
| Depreciation according to plan during the year | 3,676 | 3,292 | 604 | 445 |
| Depreciation according to plan on assets sold and disposed of | –1,479 | –3,971 | - | –3,400 |
| Effect of exchange rate fluctuations | 956 | –597 | - | - |
| **Closing accumulated depreciation according to plan** | **25,650** | **22,497** | **2,131** | **1,527** |
| **Carrying value at year-end** | **15,486** | **15,571** | **1,560** | **1,940** |

CARRYING VALUES OF TANGIBLE NON-CURRENT ASSETS

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Buildings and land | 18,191 | 16,589 | - | - |
| Plant and machinery | 19,083 | 10,946 | - | - |
| Equipment, tools, fixtures and fittings | 15,486 | 15,571 | 1,560 | 1,940 |
| **Total** | **52,760** | **43,106** | **1,560** | **1,940** |


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BLANKETS & THROWS

# 11) Shares in Group companies

GROUP COMPANIES – SCOPE OF HOLDING

| Company | Currency | Nominal value | Number | Capital stake | Carrying value 2018 | 2017 |
|---|---|---|---|---|---|---|
| Nilörn AB | TSEK | 100 | 1,000 | 100 | 3,150 | 3,150 |
| Nilörn Produktion AB | TSEK | 100 | 1,000 | 100 | - | - |
| Nilorn Denmark A/S | TDKK | 1,800 | 3,600 | 100 | 7,375 | 7,375 |
| Nilorn Belgium N.V. | TEUR | 1,583 | 17,403 | 100 | 6,975 | 6,975 |
| Nilorn Germany GmbH | TEUR | 540 | - | 100 | 20,155 | 20,155 |
| Nilorn UK Ltd | TGBP | 2,176 | 2,176,000 | 100 | 30,200 | 30,200 |
| Nilorn East Asia Ltd | THKD | - | 2 | 100 | - | - |
| Nilorn Etiket Sa. Ve Tic. Ltd Sti. | TTRY | 10 | - | 100 | 5,835 | 5,835 |
| Nilorn India Pvt Ltd | TINR | 8,000 | 10,000 | 100 | 1,156 | 1,156 |
| Nilorn Pakistan Ltd | TPKR | 1,000 | 2,468 | 100 | - | - |
| Nilorn Bangladesh | BDT | 3,400 | 3 ,400,000 | 100 | 4,904 | 4,904 |
| Nilörn Branding AB | TSEK | 1 | 900,000 | 100 | 16,399 | 16,399 |
| Nilorn Distribution Center Gmbh | TEUR | 1 | 25,000 | 100 | 21,144 | 238 |
| Nilörn Property Development AB | TSEK | 100 | 100,000 | 100 | 1,989 | 1,989 |
| | | | | | **119,282** | **98,376** |

| | Parent Company 2018 | 2017 |
|---|---|---|
| Carrying value at the beginning of the year | 98,376 | 98,142 |
| Acquisition | - | 238 |
| New issue | - | 9 |
| Shareholder contribution | 20,906 | 88 |
| Impairment | - | –101 |
| **Carrying value at year-end** | **119,282** | **98,376** |

SUBSIDIARIES' SHARES IN SUBSIDIARIES

| Company | Nominal value | Number | Capital stake | Carrying value 2018 | 2017 |
|---|---|---|---|---|---|
| *Nilorn UK Ltd* | **TEUR** | | | **TGBP** | **TGBP** |
| Nilorn Portugal Indústria de Etiquetas Lda, Portugal | 50 | - | 100 | 400 | 400 |
| Lee & Ferreira Lda, Portugal | 2 | - | 100 | 24 | 24 |
| | | | | **424** | **424** |
| *Nilorn East Asia Ltd* | **TCNY** | | | **THKD** | **THKD** |
| Nilorn Shanghai | 1 336 | - | 100 | 1,553 | 1,553 |
| | | | | **1,553** | **1,553** |

# 12) Shares in associated companies

| | Group 2018 | 2017 |
|---|---|---|
| Opening value | 482 | 485 |
| Effect of exchange rate changes | 11 | –3 |
| **Carrying value at year-end** | **493** | **482** |

| Company | Domicile | Stake | Carrying value | Proportion of equity |
|---|---|---|---|---|
| Calmon Abacus Textiles Private Ltd | India | 49 | 493 | 1,006 |
| | | | **493** | **1,006** |

*The value of the shares in Calmon Abacus Textiles Private Ltd is carried at Nilorn's 49 percent share of adjusted equity.*

# 13) Long-term receivables

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| Opening balance | 2,307 | 2,084 |
| New lending | 462 | 428 |
| Effect of exchange rate changes | 205 | –205 |
| **Closing balance** | **2,974** | **2,307** |

*TSEK 2,744 of long-term receivables as of 31 December 2018 refer to deposits (2,178).*

# 14) Due from Group companies

LONG-TERM RECEIVABLES

| | Parent Company | |
|---|---|---|
| | 2018 | 2017 |
| Opening balance | 82 | 1,048 |
| New lending | 4,651 | - |
| Repayments | - | –963 |
| Effect of exchange rate changes | 15 | –3 |
| **Closing balance** | **4,748** | **82** |

# 15) Inventories

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| Raw materials and supplies | 8,226 | 7,028 |
| Work in progress | 281 | 261 |
| Finished products and goods for resale | 99,427 | 102,728 |
| **Total inventories** | **107,934** | **110,017** |

*Reserves attributable to inventories amount to TSEK 10,275 (5,340).*

| | Group | |
|---|---|---|
| *Change in obsolescence reserve* | 2018 | 2017 |
| Opening balance | 5,340 | 5,869 |
| Reserves added during the year | 5,816 | 898 |
| Utilised reserves | –881 | –1,427 |
| **Carrying value at year-end** | **10,275** | **5,340** |

# 16) Trade receivables

**Trade receivables**

A reserve is set aside for trade receivables following individual assessment. The opening reserve as of 1 January 2018 calculated in accordance with IAS 39 has been assessed based on the new criteria for expected loss provision in accordance with IFRS 9. Management's analysis indicates that the opening loss provision is essentially equivalent to the forward-looking expected risk of losses in accordance with IFRS 9. As of 31 December 2018, the provision set aside for doubtful accounts receivable in the Group amounted to TSEK 7,341 (7,908). The progression of the reserve was as follows:

| RESERVE FOR DOUBTFUL TRADE RECEIVABLES | Group | |
|---|---|---|
| | 2018 | 2017 |
| Opening balance | 7,908 | 7,486 |
| Reserves added during the year | 2,605 | 1,290 |
| Utilised reserves | –2,511 | –778 |
| Reversed unutilised reserves | –742 | - |
| Effect of exchange rate fluctuations | 81 | –90 |
| **Carrying value at year-end** | **7,341** | **7,908** |

| THE AGE DISTRIBUTION OF THE NET WORTH OF TRADE RECEIVABLES IS DISTRIBUTED AS FOLLOWS: | Group | |
|---|---|---|
| | 2018 | 2017 |
| Receivables not past due | 37,515 | 41,459 |
| Receivables past-due <30 days | 25,290 | 18,183 |
| Receivables past-due 30-60 days | 14,224 | 10,051 |
| Receivables past-due 60-90 days | 4,024 | 4,868 |
| Receivables past-due 90-120 days | 2,113 | 941 |
| Receivables due in >120 days | 9 | 736 |
| **Net total value of trade receivables** | **83,175** | **76,238** |

# 17) Prepaid expenses and accrued income

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Prepaid rents | 2,289 | 2,559 | 49 | 279 |
| Prepaid insurance | 905 | 801 | 69 | 22 |
| Prepaid licence fees | 430 | 208 | 365 | 164 |
| Prepaid advertising and trade show expenses | 255 | - | - | - |
| Prepaid cost of goods | 13,313 | 3,259 | - | - |
| Prepaid consulting fees | 146 | 339 | - | - |
| Other prepaid expenses | 2,337 | 1,454 | 329 | 296 |
| Accrued income | 298 | 30 | 140 | 140 |
| **Total prepaid expenses and accrued income** | **19,973** | **8,650** | **952** | **901** |

# 18) Interest-bearing liabilities

**Group**

Total approved credit facilities as of 31 December 2018 amount to MSEK 88 (of which MSEK 40.5 was utilised). For more information about Nilorn's exposure to interest rate risk, reference is made to Note 2.

**Parent Company**

Total approved credit facility in the Parent Company as of 31 December 2018 amounts to MSEK 60.0 (of which MSEK 30.9 was utilised).

# 19) Long-term provisions

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| Defined benefit pension schemes | 528 | 760 |
| **Total provisions** | **528** | **760** |

DEFINED BENEFIT PENSION SCHEMES

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| Opening balance | 760 | 1,060 |
| Benefits earned during the year | 65 | 103 |
| Benefits paid | –137 | –248 |
| Effect of exchange rate changes | –160 | –155 |
| **Carrying value of provision for pensions at year-end** | **528** | **760** |

# 20) Accrued expenses and prepaid income

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Accrued salary and holiday pay liabilities | 11,913 | 16,642 | 3,557 | 4,319 |
| Accrued social benefits | 3,583 | 5,372 | 1,703 | 3,385 |
| Accrued audit expenses | 1,286 | 882 | 156 | 153 |
| Accrued commission expenses | 10,039 | 8,543 | - | - |
| Accrued freight costs | 1,341 | 1,854 | - | - |
| Accrued cost of goods | 4,423 | 6,698 | - | - |
| Other | 5,376 | 4,860 | 942 | 1,466 |
| **Total accrued expenses and prepaid income** | **37,961** | **44,851** | **6,358** | **9,323** |

# 21) Pledged assets

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| *For liabilities to credit institutions* | | | | |
| Shares in Group companies | - | - | 3,150 | 3,150 |
| Corporate mortgages and similar | 6,000 | 6,000 | - | - |
| **Total pledged assets** | **6,000** | **6,000** | **3,150** | **3,150** |

*The parent company has further non-active guarantee commitments for Group companies*

# 22) Contingent liabilities

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Guarantees for subsidiaries | - | - | 12,246 | 10,310 |
| Other contingent liabilities | 309 | 297 | - | - |
| **Total contingent liabilities** | **309** | **297** | **12,246** | **10,310** |

# 23) Untaxed reserves

| | Parent Company | |
|---|---|---|
| | 2018 | 2017 |
| Supplementary depreciation | 2,200 | - |
| Accrual reserve, fiscal year 2012 | - | 1,100 |
| Accrual reserve, fiscal year 2013 | 200 | 200 |
| Accrual reserve, fiscal year 2014 | 650 | 650 |
| Accrual reserve, fiscal year 2015 | 236 | 236 |
| Accrual reserve, fiscal year 2018 | 900 | - |
| **Total untaxed reserves** | **4,186** | **2,186** |

*Deferred tax in untaxed reserves is estimated to be 22 percent and amounts to TSEK 921 (481), which is not carried in the balance sheet.*

# 24) Year-end appropriations

| | Parent Company | |
|---|---|---|
| | 2018 | 2017 |
| Supplementary depreciation | –2,200 | - |
| Reversal of accrual reserve | 1,100 | 3,000 |
| Allocation to accrual reserve | –900 | - |
| Group contributions received | 10,270 | 13,500 |
| Group contributions rendered | –430 | –9,000 |
| **Total year-end appropriations** | **7,840** | **7,500** |

# 25) Leasing

**Nilörngruppen as lessee**

*Operating leases*

The Group's cost for rental agreements and leasing commitments of an operating character amounted to TSEK 16,863 during the 2018 financial year (13,819). The Group's future rental payments amounted to TSK 71,736.

The Parent Company's rental cost during 2018 amounted to TSEK 1,109 (1,140) and the future rental payments amounted to TSEK 4.278. The future payments under operating leases are distributed as follows:

| | Group | Parent Company |
|---|---|---|
| 2019 | 17,039 | 1,203 |
| 2020 | 15,126 | 795 |
| 2021 | 14,286 | 762 |
| 2022 | 13,160 | 759 |
| 2023 | 11,780 | 759 |
| 2024 | 345 | - |
| **Total future payments from operating leases** | **71,736** | **4,278** |

Note 25 continued

**Information about IFRS 16 leases**

IFRS 16 Leases came into force on 1 January 2019. The new standard removes the distinction between financial and operating leases, as stipulated in IAS 17, and instead introduces a common model for recognizing all leasing. With this model the lessee reports (a) assets and liabilities for all leases with a rental period longer than 12 months, except for assets of low value, and (b) depreciation of leased assets separately from the interest cost of leasing in the income statement. At the time of transition to IFRS 16 on 1 January 2019 Nilorn has applied a modified retroactive method, which has the effect that the financial reports for 2018 are not recalculated. The lease liability is the present value of all future fees until the lease expires. The simplification rule that the right-of-use asset (before adjustment for any prepayments) shall be equivalent to the lease liability, has been applied at the transition. The discount interest rate is the Group's marginal rate for borrowing taking the term of the lease into consideration.

The simplification rule for defining a lease has been applied, which means that all components of a lease are considered to be a lease component. The exceptions of not reporting short-term leases and assets of low value has also been applied. Managements judgments and assumptions are required to determine extension options for the right of use and the present value of the lease liability. Such judgments and assumptions include identifying a lease, to determine the leasing period and to identify the discount interest rate. Most of the lease value relates to rental agreements for office and warehouse properties. On the balance sheet date, the Group's operating lease obligations amount to MSEK 72.

The Group expects that profit after taxes will be reduced by MSEK 0.7 for 2019 due to the new rules. The operating profit used to the segment's profit is expected to increase by approximately MSEK 0.8. The difference is due to the interest on the lease liability is not included in this performance metric.

| *Group MSEK* | |
|---|---|
| **Commitments for operating leases as of 31 December 2018** | 71.7 |
| Discounting by marginal borrowing rate for each respective company and country | –4.9 |
| Prepaid lease fees | –1.4 |
| Less short-term leases / low value | –2.9 |
| Lease liability 1 January 2019 | 62.6 |

# 26) Interest income and similar items

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Interest income, internal | - | - | 1,743 | 764 |
| Interest income, external | 482 | 296 | - | - |
| Exchange rate gains on foreign exchange futures contracts | - | 629 | - | 629 |
| Other | 105 | - | - | - |
| **Total interest income and similar items** | **587** | **925** | **1,743** | **1,393** |

# 27) Interest expense and similar items

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Interest income, internal | - | - | 2,528 | 1,486 |
| Interest income, external | 461 | 600 | 350 | 331 |
| Exchange rate gain on long-term receivables | 1,341 | 492 | 266 | 152 |
| Exchange rate gains on foreign exchange futures contracts | 176 | - | - | - |
| **Total interest income and similar items** | **1,978** | **1,092** | **3,144** | **1,969** |

# 28) Audit fees

| FEES AND COST REIMBURSEMENT | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| *KPMG* | | | | |
| Audit assignments | 914 | 442 | 268 | 215 |
| Tax advice | 25 | 16 | - | 16 |
| Other assignments | 36 | - | - | - |
| *Other auditors* | | | | |
| Audit assignments | 536 | 689 | - | - |
| Tax advice | 53 | 37 | - | - |
| Other assignments | 104 | 137 | - | - |
| **Total audit fees and cost reimbursement** | **1 668** | **1 321** | **268** | **231** |

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

# 29) Result from shares in Group companies

| | Parent Company | |
|---|---|---|
| | 2018 | 2017 |
| Dividends | 53,863 | 51,771 |
| Impairment of shares | - | –101 |
| **Total result from shares in subsidiaries** | **53,863** | **51,670** |

# 30) Derivative instruments

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

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

The table below shows the Group's foreign exchange forward contracts outstanding as of 31 December 2018. All contracts are in officially traded currencies and the contracts are extended for an average period of three months. Contracts outstanding as of year-end all mature on 18 March 2019.

The Group has no other derivative instruments. Outstanding forward contract are carried at market value on the balance sheet date in accordance with IAS 9 Financial instruments. Accounting and valuation at level 2 has been used in accordance with IFRS 7.27. The exchange rate gain and loss, respectively, arising upon valuation of the contracts amounted to TSEK 68 (199) and TSEK 267 (226), respectively, as of 31 December 2018. The forward contracts were valued at fair value based on the exchange rate prevailing on the balance sheet date and the forward rate for each respective contract.

Only the derivatives listed below are carried at fair value.

OUTSTANDING FORWARD EXCHANGE CONTRACTS

| Currency | Hedged volume in thousands | Average rate | Countervalue SEK | Rate on balance sheet date |
|---|---|---|---|---|
| HKD | –10,000 | 1.1365 | –11,365 | 1.1456 |
| EUR | –596 | 10.2936 | –6,135 | 10.2753 |
| GBP | 1,838 | 11.4138 | 20,979 | 11.3482 |
| USD | –10 | 8.9970 | –90 | 8.9710 |
| DKK | 3,280 | 1.3784 | 4,521 | 1.3760 |
| TRY | 700 | 1.6938 | 1,186 | 1.7029 |

# 31) Due dates for the Group's financial liabilities

| 2018 | MSEK | 0-3 months | 4-12 months | 1-2 years | Total contractual cash flow |
|---|---|---|---|---|---|
| | Bank loans and committed credit facilities | 9.6 | 30.9 | | 40.5 |
| | Trade payables | 69.6 | | | 69.6 |
| | Forward currency contracts inflow | 83.5 | | | 83.5 |
| | Forward currency contracts outflow | 83.5 | | | 83.5 |

| 2017 | MSEK | 0-3 months | 4-12 months | 1-2 years | Total contractual cash flow |
|---|---|---|---|---|---|
| | Bank loans and committed credit facilities | | 25.8 | 9.9 | 35.7 |
| | Trade payables | 61.7 | | | 61.7 |
| | Forward currency contracts inflow | 28.3 | | | 28.3 |
| | Forward currency contracts outflow | 28.3 | | | 28.3 |

# 32) Acquisition of business

On 1 April 2017 Nilorn Denmark AS acquired the assets and liabilities consisting of inventories and customer relationships of HC Etiketter AS. Approximately 49 percent of the estimated purchase money was paid in cash and the remainder was settled during 2018 when Nilorn Denmark was repaid in the amount of TDKK 250. With this acquisition Nilorn Danmark AS has grown to be a major player on the Danish market.

ACQUISITION OF BUSINESS

| TDKR | |
|---|---|
| *HC Etiketter AS net assets at the time of acquisition 2017:* | |
| Intangible asset | 4,618 |
| Inventories | 2,257 |
| **Total estimated purchase money** | **6,875** |
| Of which paid in cash | 3,355 |
| Entered as a liability | 3,520 |

FINAL SETTLEMENT OF THE ACQUISITION 2018:

| TDKR | |
|---|---|
| Intangible asset | 3,357 |
| Inventories | 1,189 |
| **Total estimated purchase money** | **4,546** |
| Consideration transferred | 3,105 |
| Net positive adjustment over the income statement | 1,441 |

*Intangible asset*

The intangible assets consist of customer relationships amortised over 10 years.

*Acquisition-related expenses*

No external acquisition expenses arose in connection with the acquisition.

*Product development* | **VELOCITY**

# 33) Transactions with closely related parties

During the year, Nilörngruppen sold services for TSEK 95 (109) to the main owner, AB Traction with subsidiaries. No transactions between Nilörngruppen and related parties that have substantially affected the Group earnings and financial position have taken place during the period. The parent company's transactions with subsidiaries relate to design, product development, IT and other services.

See note 7 for salaries and remuneration to management and the board.

# 34) Allocation of the Company's profit

The Board of Directors proposes that unrestricted equity, TSEK 85,347 be allocated as follows:

| | |
|---|---|
| Dividend 11,401,988 shares* SEK 4.00 per share | 45,608 |
| To be carried forward | 39,739 |
| **Total** | **85,347** |

# 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 outstanding. Each class A share entitles its holder to ten votes; each class B share entitles its holder to one vote.

# 36) Events after the balance sheet date

No significant events have occurred after the balance sheet date.

# Definitions of alternative key financial indicators

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

*Definitions of key financial indicators — measures not defined according to IFRS*

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

CLARIFICATION OF SIGNS
USED IN THE TABLE:

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

*Calculated as below:*

| **Revenue growth** | **Group** | |
|---|---|---|
| | **2018** | **2017** |
| | **12 months** | **12 months** |
| | **Jan-Dec** | **Jan-Dec** |
| Net revenue during the period (MSEK) | 729.2 | 680.4 |
| Net revenue previous period (MSEK) | –680.4 | –610.5 |
| Net revenue previous period (MSEK) | /680.4 | /610.5 |
| **Revenue growth (%)** | **7.2** | **11.4** |

| **Profit margin** | **Group** | |
|---|---|---|
| | **2018** | **2017** |
| | **12 months** | **12 months** |
| | **Jan-Dec** | **Jan-Dec** |
| Operating profit (MSEK) | 85.2 | 82.4 |
| Net revenue (MSEK) | /729.2 | /680.4 |
| **Operating margin (%)** | **11.7** | **12.1** |

| **Profit margin** | **Group** | |
|---|---|---|
| | **2018** | **2017** |
| | **12 months** | **12 months** |
| | **Jan-Dec** | **Jan-Dec** |
| Profit before taxes (MSEK) | 83.8 | 82.2 |
| Net revenue (MSEK) | /729.2 | /680.4 |
| **Profit margin (%)** | **11.5** | **12.1** |

| **Capital employed** | **Group** | |
|---|---|---|
| | **2018** | **2017** |
| | **12 months** | **12 months** |
| | **Jan-Dec** | **Jan-Dec** |
| Balance sheet total (MSEK) | 341.2 | 312.6 |
| Long-term provisions | –0.5 | –0.7 |
| Other non-interest-bearing liabilities (long-term) | - | - |
| Trade payables | –69.6 | –61.7 |
| Current tax liabilities | –3.7 | –4.5 |
| Other non-interest-bearing liabilities | –6.6 | –10.7 |
| Accrued expenses and prepaid income | –38 | –44.9 |
| Deferred tax liability | –1.6 | –0.5 |
| **Capital employed (MSEK)** | **221.2** | **189.6** |

| Average capital employed | Group | |
|---|---|---|
| | 2018 | 2017 |
| | 12 months | 12 months |
| | Jan-Dec | Jan-Dec |
| Capital employed at beginning of year (MSEK) | 189.6 | 163.3 |
| Capital employed at end of year (MSEK) | 221.2 | 189.6 |
| | /2 | /2 |
| **Average capital employed (MSEK)** | **205.4** | **176.5** |

| Return on capital employed | Group | |
|---|---|---|
| | 2018 | 2017 |
| | 12 months | 12 months |
| | Jan-Dec | Jan-Dec |
| Profit before taxes (MSEK) | 83.8 | 82.2 |
| Financial expenses (MSEK) | 2.0 | 1.2 |
| Average capital employed (MSEK) | /205.4 | /176.5 |
| **Return on capital employed (%)** | **41.8** | **47.3** |

| Average equity | Group | |
|---|---|---|
| | 2018 | 2017 |
| | 12 months | 12 months |
| | Jan-Dec | Jan-Dec |
| Equity at beginning of year (MSEK) | 153.9 | 137.8 |
| Equity at end of year (MSEK) | 180.8 | 153.9 |
| | /2 | /2 |
| **Average equity (MSEK)** | **167.4** | **145.9** |

| Return on equity | Group | |
|---|---|---|
| | 2018 | 2017 |
| | 12 months | 12 months |
| | Jan-Dec | Jan-Dec |
| Profit for the year (MSEK) | 70.7 | 65.0 |
| Average equity (MSEK) | /167.4 | /145.9 |
| **Return on equity (%)** | **42.3** | **44.6** |

| Equity ratio | Group | |
|---|---|---|
| | 2018 | 2017 |
| | 12 months | 12 months |
| | Jan-Dec | Jan-Dec |
| Equity (MSEK) | 180.8 | 153.9 |
| Total assets (MSEK) | /341.2 | /312.6 |
| **Equity ratio (%)** | **53.0** | **49.2** |

| Interest-bearing net cash and cash equivalents | Group | |
|---|---|---|
| | 2018 | 2017 |
| | 12 months | 12 months |
| | Jan-Dec | Jan-Dec |
| Cash and cash equivalents (MSEK) | 37.9 | 44.8 |
| Current interest-bearing liabilities (MSEK) | –40.5 | –35.7 |
| **Interest-bearing net cash and cash equivalents (MSEK)** | **–2.5** | **9.1** |

| Equity per share | Group | |
|---|---|---|
| | 2018 | 2017 |
| | 12 months | 12 months |
| | Jan-Dec | Jan-Dec |
| Equity (MSEK) | 180.8 | 153.9 |
| Number of shares outstanding | /11,402 | /11,402 |
| **Equity per share (MSEK)** | **15.9** | **13.5** |


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# 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, 12 April 2019

Petter Stillström
*Chairman*

Gunilla Brisinger
*Director*

Marie Nilsson Peterzén
*Director*

Vilhelm Schottenius
*Director*

Johan Larsson
*Director*

Blenda Lagerkvist
*Director*

Claes af Wetterstedt
*President and CEO*

Our audit report for these annual accounts and consolidated financial statements was submitted on 12 April 2019.

KPMG AB

Thomas Bohlin
*Authorised Public Accountant*

**Petter Stillström**
*Chairman*

**Gunilla Brisinger**
*Director*

**Marie Nilsson Peterzén**
*Director*

**Vilhelm Schottenius**
*Director*

**Johan Larsson**
*Director*

**Blenda Lagerkvist**
*Director*

# Board of Directors

**Petter Stillström**
born 1972
*Chairman since 2009*
M. Sc. (Business Administration)
President of AB Traction.
Director of Nilörngruppen since 2007.
Director of OEM International (Chairman), Softronic (Chairman), BE Group AB (Chairman), and AB Traction.
Shareholdings: Major shareholder in AB Traction, which through subsidiaries owns 960,000 Class A shares and 1,530,000 Class B shares.

**Gunilla Brisinger**
born 1965
*Director*
President of Linum Aktiebolag.
Director of Nilörngruppen since 2017.
Shareholding: -

**Marie Nilsson Peterzén**
born 1956
*Director*
Co-founder, creative manager and EVP of Vagabond International AB.
Director of Nilörngruppen since 2016.
Shareholding: 10,000

**Vilhelm Schottenius**
born 1956
*Director*
B.Sc. Econ.
Works with business development in own and external companies.
Director of Nilörngruppen since 2009.
Director of i.a. Yellow Brand Protection AB, Vertiseit AB, RCL Holding, Saddler Scandinavia, Handelsbanken Västra Sverige and Golfstore Group.
Shareholding: 10,000

**Johan Larsson**
born 1970
*Director*
B.Sc. Econ.
Runs his own consultancy focusing on consumer-related brands in the fashion/ sport industry.
Director, Nilörngruppen since 2018.
Director, Brunngård Europe AB, Gram International AB.
Shareholding: 1,000

**Blenda Lagerkvist**
born 1976
*Director*
Runs her own consultancy in organisational and leadership development.
Director of Nilörngruppen since 2018.
Shareholding: -

**Claes af Wetterstedt**
*President and*
*Chief Executive Officer*

**Krister Magnusson**
*CFO*

**Andrew Hoppe**
*Asian Manager*

# Management

**Claes af Wetterstedt**
born 1962
*President and Chief Executive Officer since 2009.*
*Responsible for market and sales.*
Economist
Claes af Wetterstedt was hired by Nilörngruppen in 1989, then Svenska Bandfabriken, where he worked; was acquired by Nilörngruppen. He has worked with branding and labels since the mid-1980s.
Shareholding: 80,400

**Krister Magnusson**
born 1966
*CFO*
B.Sc. Econ.
Krister Magnusson was hired by Nilörngruppen in 2008. Previously CFO of New Wave Group.
Shareholding: 60,000

**Andrew Hoppe**
born 1963
*Asia Manager*
Andrew Hoppe was hired by Nilorn UK Ltd (formerly H.H Calmon) in 1996 and is since 2000 President of Nilorn East Asia Ltd and Asia Manager.
Shareholding: -

# Auditors

**KPMG**
*Lead auditor:*

**Thomas Bohlin**
born 1959
*Authorised Public Accountant, Partner.*
Nilörngruppen's auditor since 2013. Other assignments include Eton System, Starsprings, Teknos, Nelly NLY and Finepart.

# Auditor's Report

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

**Report on the annual accounts and consolidated accounts**

*Opinions*

We have audited the annual accounts and consolidated accounts of Nilörngruppen AB for the year 2018, except for the corporate governance statement on pages 28-30. The annual accounts and consolidated accounts of the company are included on pages 24-68 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 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 2018 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 28-30. 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 the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of directors in accordance with the Audit Regulation (537/2014) Article 11.

*Basis for Opinions*

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsi-bilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

*Key Audit Matters*

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

*Revenue Recognition*

See accounting principles on pages 40-45 in the annual account and consolidated accounts for detailed information and description of the matter.

**Description of key audit matter**

The Group net sales as of December 31, 2018 amounted to SEK 729.2 million. The Group reports revenue from the sale of goods when risks and benefits associated with ownership are transferred to the customer and when the selling price is agreed or when there is an opportunity to estimate the price and payment can be expected. The value of the transaction is affected by discounts and exchange rate differentials which increases the complexity.

**Response in the audit**

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

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

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

*Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

*Auditor's responsibility*

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one 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 dis-closures 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 evi-dence 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 dis-closures, 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 signi-ficant audit findings during our audit, including any significant defi-ciencies in internal control that we identified.

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

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

**Report on other legal and regulatory requirements**

*Opinions*

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nilörngruppen AB for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

*Basis for Opinions*

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

*Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organi-zation 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 mana-gement of assets in a reassuring manner.

*Auditor's responsibility*

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

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

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

The Board of Directors is responsible for that the corporate governance statement on pages 28-30 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, Box 140, 501 13, Borås, was appointed auditor of Nilörngruppen AB by the general meeting of the shareholders on the May 16th 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2013.

Borås 12 April 2019

KPMG AB

Thomas Bohlin
*Authorized Public Accountant*

# Annual General Meeting

*The Annual General Meeting will be held at 5:00 p.m. on Wednesday 15 May 2019 at Nilörngruppen's head office, Wieslanders väg 3, SE-504 31 Borås, Sweden.*

## Registration

Shareholders who wish to participate in the proceedings of the Annual General Meeting must be entered in the share register maintained by Euroclear Sweden AB not later than Thursday, 9 May 2019 and also notify the Company by mail under address Nilörngruppen AB, Box 499, SE-503 13 Borås, Sweden, by telephone +46-33-700 88 88, by telefax +46-33-700 88 19, or by e-mail to reception@nilorn.com not later than by 4:00 p.m., Thursday 9 May 2019. Upon registration, name, personal registration number/corporate ID number, address, telephone number and registered shareholding must be stated. Shareholders represented by a proxy must issue a power of attorney for the proxy. The power of attorney should be dispatched to the Company at the above address well before the Annual General Meeting.

If the power of attorney is issued by a legal entity, certified copy of registration certificate of the legal person must be attached. Shareholders who have their shares registered in the name of a custodian must temporarily re-register their shares in their own name in order to be entitled to attend the meeting. Such registration must be completed by Euroclear Sweden AB not later than by Thursday, 9 May 2019. This means that the shareholder must notify the custodian thereof well in advance of that day.

## Dividend

The Board of Directors proposes a dividend of SEK 4.00 per share for the 2018 financial year.

# The companies in Nilorn

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