ANNUAL REPORT NILÖRNGRUPPEN

2019

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Nilörngruppen in Brief

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

Nilorn is one of Europe's leading players with sales of MSEK 715 and deliveries of more than 1.5 billion labels per year, of different sizes and types. Nilorn has operations in Sweden, Denmark, Norway, Finland, United Kingdom, Italy Germany, Belgium, France, Portugal, Spain, Austria, Hong Kong, China, Bangladesh, Pakistan, India and Turkey. There are partner companies in Switzerland, Holland and USA.

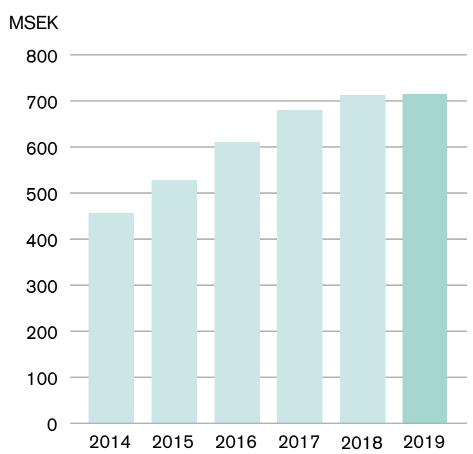
Nilorn applies the motto 'maximum customer satisfaction'. The entire corporate structure is based on this central theme, which constitutes the basis for Nilorn's operations, from design to manufacturing, sales, logistics and service.

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

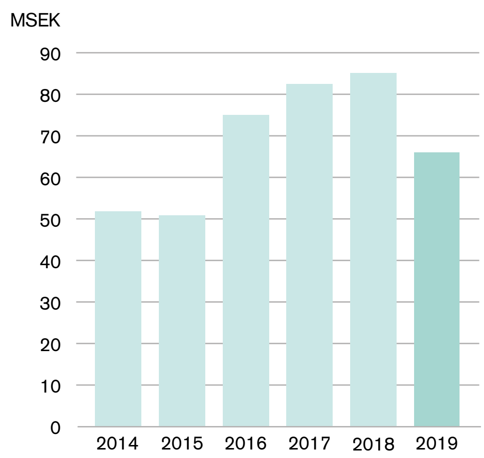
Year 2019 in brief

- Order bookings increased by 1.5 percent to MSEK 749 (738).
- Consolidated sales in SEK increased by 0.4 percent to MSEK 715 (712).
- Operating profit amounted to MSEK 66.2 (85.2).
- Profit for the year amounted to MSEK 47.2 (70.7).
- Earnings per share amounted to MSEK 4.14 (6.20).
- Cash flow from operating activities amounted to MSEK 63.4 (59.7).
- The Board of Directors proposes to the Annual General Meeting that no dividend will be paid for the 2019 operating year
- Sustainability work continues to be a high-priority area.
- Nilorn Portugal has installed 750m² of solar panels on the roof of its plant.
- Implementation of a new enterprise system continues and is expected to be completed bymid-2021.
- The English operations have moved into new premises, which were completed during the year.
- Investment in a new property was made in Sweden.
- The factory in Bangladesh, which was started in December 2017, continued to have a positive development and the production capacity was increased during the year.
- Weak development on the English market, in part attributable to Brexit and weak retail sales.

Net revenue



Operating profit



NILÖRNGRUPPEN IN NUMBERS	2019	2018	2017	2016	2015
Net sales, MSEK	715.4	712.0	662.5	610.5	527.2
Operating profit, MSEK	66.2	85.2	82.4	75.0	50.8
Profit for the period, MSEK	47.2	70.7	65.0	56.2	39.0
Earnings per share, SEK	4.1	6.2	5.7	4.9	3.4
Return on capital employed, %	25.2	41.8	47.2	49.7	39.3
Return on equity, %	25.7	42.3	44.6	44.8	34.3
Equity ratio, %	45.3	53.0	49.2	50.8	48.8
Average number of employees	494	482	444	358	335

Dear shareholders, customers and employees

Claes and I have worked as a 'radar pair' over the past eleven years, so although there was only a brief hand-over when I unexpectedly took over as CEO at the beginning of March 2020, I am well acquainted with the business and will continue the successful concept we have created. Of course, currently it is a troubled and uncertain time due to the Coronavirus, but in my judgement Nilorn will be relatively stronger once we come out of this.

The development of our operations was slightly weaker than expected, especially during the second half of the year. This is explained by a more challenging market, especially in England, but we also experienced weaker demand in a few other European markets.

"Our focus on a sustainable offer continues with the goal of becoming among the best in the industry."

Nilorn has a broad customer base with more than 1,000 customers world-wide and we have the advantage of having customers in different segments where the branding side especially had positive development during the year. On the other hand, we are seeing contraction in the 'chain customer' segment, where most of our customers saw lower sales than the year before.

Our production operations in Bangladesh showed a better than expected development and this proves that it was the right strategy to venture into own production there. At the end of the year we had a new 5-colour printing press installed and two additional looms, which constituted a welcome addition to capacity.

The interest in RFID labels is on the rise and Nilorn is involved in a growing number of projects. Initially we have produced RFID labels via a production partner, but we are now beginning to produce them in-house in order to further strengthen Nilorn's service level with accurate and timely deliveries. This means printing, programming and checking the RFID labels.

Our focus on a sustainable offer continues with the goal of becoming among the best in the industry. Nilorn believes in a holistic approach which includes the entire design, manufacturing and supply chain. Our ambition is to guide and help our customers to choose a more sustainable labelling and packaging approach.

Opportunities

The reason for our long-term good development, where over the past ten years Nilorn has increased sales by 113 percent, has generated an average operating margin of 11.5 percent with high dividends and a strong balance sheet is based on the long-term and good relationships we have developed with our customers. An important reason why our customers feel so good with Nilorn is our competent and dedicated staff that work hard every day to make our customers feel satisfied. This is achieved through "freedom with responsibility" which means that that staff take own initiatives with focus on the customer.

Nilorn's vision of 'becoming the best label and branding company in the world' is something we will continue to work hard at achieving. The trend is that customers, regardless of price level of the brand and products are putting more care in their labels and branding concepts. The importance of profiling and having a well-thought-out branding strategy will be very important in the growing competition that exists in the international market.

The future

As I write this, we are in the midst of the Coronavirus crisis and the uncertainty created thereby. We must seek solutions, be flexible and make the best of every situation even if we are uncertain as to what it is. Our customers are experiencing a marked slow-down. The effects of COVID-19 are difficult to predict with any precision, but most of Nilorn's companies see a clear downturn caused by the current concerns. Developments are watched closely, and we follow the recommendations of local authorities and decisions in order to be able to adapt the operations In our markets to conform with how the situation develops. Our employees are displaying fantastic solidarity where the different Nilorn offices are helping each other and where suppliers and customers co-operate.

Until the outbreak of the Coronavirus Nilorn had a clearly positive trend in new orders, especially attributable to countries such as Italy, UK, Belgium and Sweden. Our efforts in sustainability, RFID and design has given us competitive advantages which has been noticed by our customers. 2019 was a capital expenditure-intensive year for Nilorn, with investments in looms and multi-colour printing in Bangladesh, one property in England and one in Sweden, several new looms in Portugal and ongoing implementation of the Group's new enterprise system. The only investment estimated to occur during 2020 is the continued implementation of the enterprise system expected to be fully implemented in all countries in 2021.

I am convinced that once the Coronavirus crisis is behind us Nilorn will stand still relatively stronger and will be able to continue its positive trend seen over the past ten years. We have made substantial investments in markets, production, IT platform and sustainability, which means that we stand well prepared for continued profitable growth going forward.

We have a focused and dedicated team where everybody works hard to create added value for the customer. This will lead to Nilorn maintaining its leading position in labels and branding.

Borås, 27 March 2020

Krister Magnusson
CEO Nilörngruppen AB

Business concept, goals & strategy

VISION
"The best label and branding company worldwide."

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

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

STRATEGY
The strategy is aimed at profitable growth based on a strong offer in branding and design, increase international presence through expanding internationally by growing the service and manufacturing network and sharper emphasis in the areas of Retail Information Service

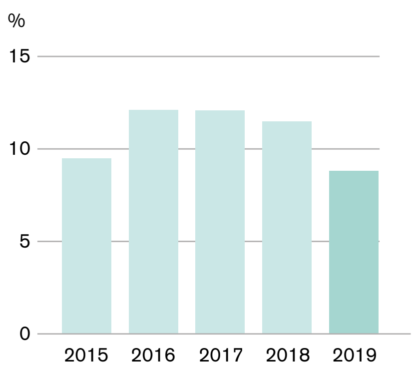
The strategy is to increase the value content of the products, to establish even closer co-operation with key customers, to utilise collective resources and to optimise the manufacturing structure with respect to in-house manufacturing and co-operation with partner companies. The strategy means that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

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

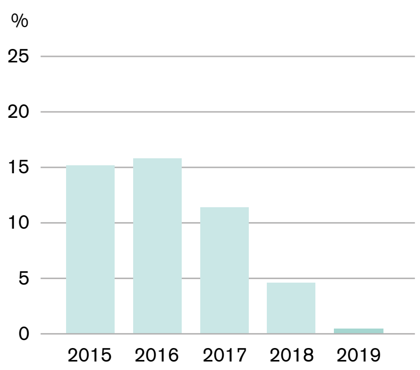
GROWTH AND PROFITABILITY GOALS
Nilorn strives for sustainable and profitable growth. The goal for growth is 7 percent per year with an operating margin exceeding 10 percent and net liabilities not exceeding two times profit before interest, taxes, depreciation and amortisation (EBITDA).

Over the past five years annual growth has been 9 percent with an operating margin of 11 percent.

Operating profit margin by year



Growth in percent per year




GIULIANA
GRAZIANO
GRAZIANO

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

OWN PRODUCTION – EXTERNAL SOURCING

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

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

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

TRANSFORMATION TO A PROFITABLE GROWTH COMPANY

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

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

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

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

Nilorn is active in a market with a few very large players, such as Avery Dennison, which is an American listed company with factories around the world and where labels for the textile industry is one of several businesses with many small local players.

Nilorn is sufficiently large to have a global distribution network and group-wide synergies that many smaller companies lack and at the same time small enough to maintain short decision paths and a flexible organisation where the staff thrives and the customers feel that they are at the centre. Act local, be global.

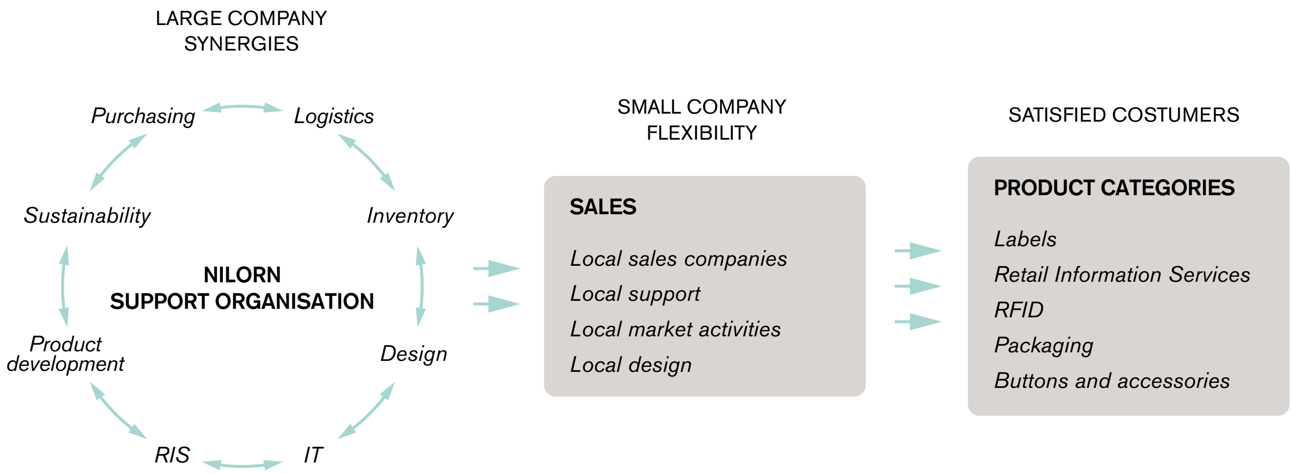
Over the past 10 years the Group has:

- Increased sales by 113 percent.
- Had an average operating margin of 11.5 percent.
- Each year paid a dividend of between 60-99 percent of net profit.
- Had a strong balance sheet with an equity ratio of 45-65 percent.

DISTRIBUTION BY PRODUCT CATEGORY

Nilorn's sales by product category is shown in the pie chart to the right.

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



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

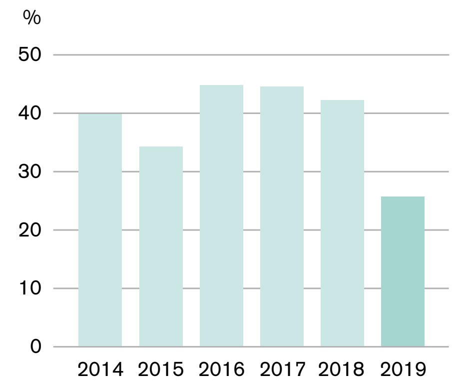
Packaging accounts for 7 percent of consolidated sales. This is an area with slightly lower margins, but with great potential, especially due to increased on-line sales, where packaging becomes an increasingly important feature for a positive customer experience.

CUSTOMERS

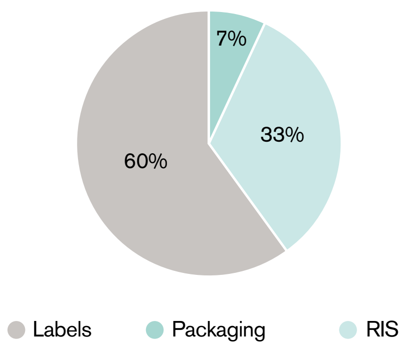
The selling companies meet customers all over Europe who are mainly brand owners. Most of the deliveries are to the suppliers of the brand owners, i.e. the factories that make the customers' garments. These factories are predominantly in Asia, but also in Europe in countries such as Turkey, Portugal,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

Nilorn has more than 1,000 customers, with the 10 largest accounting for approximately 35 percent of consolidated sales. The 20 largest account for 50 percent of the total.

Return on equity



Revenue by product category 2019



Design collection | **ALEGRA VALLANI**

TRENDS IN THE MARKET

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

Market with opportunities

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

MARKET IN TRANSFORMATION CREATES OPPORTUNITIES

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

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

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

CUSTOMERS WITH HIGH DEMANDS

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

NILORN'S COMPETITIVE ADVANTAGES

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

Customer-unique solutions based on a broad offer

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

THE BRAND INCREASINGLY IMPORTANT

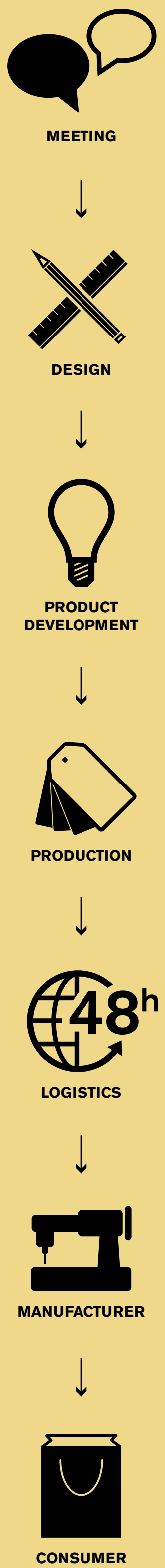
Most of Nilorn's customers are in the fashion and garment industry where branding strengthens the garment's identity and image. Some even claim that the brand is the most important aspect of the garment. The brand and the marketing therefore is more important than ever – from advertising campaigns to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

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

CLOSE CO-OPERATION TO MAKE THE MARK

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

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



THE NILORN PROCESS

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

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

CONCEPTS THAT STRENGTHEN BRANDS

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

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

DESIGN PROCESS WITH FOCUS ON MEETING NEEDS

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

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

Nilorn's head office, RIS department

Retail Information Service (RIS)

– THE PERFECT SOLUTION FOR LABELS WITH VARIABLE INFORMATION

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

UNIQUE IT AND LOGISTICS SOLUTION

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

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

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

NILORN'S WEB PLATFORM

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

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

Labels and packaging with RFID.

Radio Frequency Identification (RFID)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Design collection | **ERIK KRØYER**

A global market

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

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

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

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

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

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

In-house production in Portugal

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

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

Nilörngruppen's Sustainability Report 2019

Sustainability work

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

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

- Customers – We want to develop sustainable products in close co-operation with our customers and together reduce the environmental impact.
- Production and supply chain – We assume responsibility for production of products, in our own production and with external suppliers.
- Employees – Our most important asset is our employees and we want to attract, retain and further develop those who work at Nilorn.

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 realising 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.

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 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.

Design collection | **COMEBACK**

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 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 is available in the Sustainability Report which is available here: www.nilorn.com/sustainability.

Nilorn is since 2019 Nasdaq ESG Transparency Partner.

History

Nilorn's head office

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Design collection | **URBAN BLUE**

Multi-year Survey

SUMMARY OF NILORN'S DEVELOPMENT 2015-2019

Amounts in MSEK	**2019**	**2018**	**2017**	**2016**	**2015**
Income Statement					
Net sales	715.4	712.0	680.4	610.5	527.2
Operating profit	66.2	85.2	82.4	75.0	50.8
Net finance items	–3.1	–1.4	–0.2	–1.1	–0.8
Profit before taxes	63.1	83.8	82.2	73.9	50.1
Taxes	–15.8	–13.1	–17.2	–17.7	–11.0
Profit for the period	47.2	70.7	65.0	56.2	39.0
Profit attributable to the Parent Company's equity holders	47.2	70.7	65.0	56.2	39.0
Balance Sheet					
Non-current assets	181.1	80.3	62.9	49.5	39.4
Inventories	119.0	107.9	110.0	88.9	80.1
Trade receivables	59.4	83.2	76.2	73.4	58.6
Other current assets	20.6	31.9	18.7	24.3	22.7
Cash and cash equivalents	32.3	37.9	44.8	35.2	31.5
Total assets	412.4	341.2	312.6	271.3	232.4
Equity attributable to the Parent Company's equity holders	186.7	180.8	153.9	137.8	113.3
Minority interest					
Total equity	186.7	180.8	153.9	137.8	113.3
Long-term liabilities	51.3	2.1	1.2	5.0	5.0
Trade payables	54.3	69.6	61.7	52.8	46.6
Other current liabilities	120.1	88.7	95.7	75.7	67.4
Total liabilities and equity	412.4	341.2	312.6	271.3	232.4

Amounts in MSEK	**2019**	**2018**	**2017**	**2016**	**2015**
Key financial indicators and other information					
Revenue growth, %	0.5	4.6	11.4	15.8	15.2
Operating margin, %	9.3	11.7	12.1	12.3	9.6
Profit margin, %	8.8	11.5	12.1	12.1	9.5
Capital employed	309.4	221.2	189.6	163.3	139.8
Average capital employed	265.3	205.4	176.5	151.6	130.3
Return on capital employed, %	25.2	41.8	47.3	49.7	39.3
Average equity	183.7	167.3	145.9	125.6	113.8
Return on equity, %	25.7	42.3	44.6	44.8	34.3
Equity ratio, %	45.3	53.0	49.2	50.8	48.8
Interest-bearing net cash and cash equivalents	–41.8	–2.5	9.1	9.7	5.0
Average number of employees	494	482	444	358	335

For definitions of alternative key financial indicators, refer to page 66.

Nilörngruppen's share 2019

THE SHARE

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

OWNERSHIP STRUCTURE

At year-end 2019 Nilörngruppen had 4,815 (3,717) shareholders. At year-end the ten largest owners held 58.7 percent of the capital and 76.5 percent of the votes.

DIVIDEND

The Board of Directors proposes to the Annual General Meeting that no dividend will be paid for the 2019 operating year (SEK 4.00 per share 2018).

Amounts in SEK	**2019**	**2018**	**2017**	**2016**	**2015**
Per-share data					
Number of shares outstanding, thousands	11,402	11,402	11,402	11,402	11,402
Profit	4.14	6.2	5.70	4.93	3.42
Dividend	0*	4.00	4.00	3.60	3.00
Equity	16.37	15.85	13.50	12.08	9.94

** Proposed dividend*

THE 10 LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2019

Owners	**Number of shares**		**Proportion, %**	
	Class A shares	Class B shares	Votes	Capital
TRACTION BRANDING AB	960,000	1,740,000	23.7	56.6
BNY MELLON SA/NV (FORMER BNY), W8IMY	-	910,049	8.0	4.5
STATE STREET BANK AND TRUST CO, W9	-	872,408	7.7	4.4
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	-	431,642	3.8	2.2
NORDEA SMÅBOLAGSFOND SVERIGE	-	384,019	3.4	1.9
NORDNET PENSIONSFÖRSÄKRING AB	-	299,260	2.6	1.5
PROTECTOR FORSIKRING ASA	-	297,221	2.6	1.5
CBLDN-EQ NORDIC SMALL CAP (NON-UCIT)	-	282,058	2.5	1.4
NTC RE IEDU UCITS CLIENTS NON LENDING 15% TREATY	-	260,701	2.3	1.3
KBL EUROPEAN PRIVATE BANKERS S A, W8IMY	-	250,000	2.2	1.3
TOTAL	**960,000**	**5,727,358**	**58.7**	**76.5**
OTHER (4,805)	-	4,714,630	23.6	41.5
TOTAL	**960,000**	**10,441,988**	**100.0**	**100.0**

Administration Report

The Board of Directors and the Chief Executive Officer of Nilörngruppen AB (publ), corporate ID number 556322-3782, hereby submit their annual report and consolidated financial statements for the 2019-01-01 – 2019-12-31 financial year.

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

SHAREHOLDERS
The Annual General Meeting gives shareholders an opportunity to ask questions directly to the Chairman of the Board of Directors, the Board of Directors and the President. Invitation to the 2020 Annual General Meeting, to be held in Borås 14 May 2020 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 2019 are available at the Company's website *www.nilorn.com.*

OWNERSHIP STRUCTURE
As of 31 December 2019, the Company's share capital consisted of 960,000 Class A shares and 10,441,988 Class B shares. Each class A share entitles the holder to ten votes and each Class B share entitles its holder to one vote.

As of 31 December 2019, there were 4,815 shareholders in Nilörngruppen AB (3,717). The largest shareholder was AB Traction via a subsidiary, which held 23.68 percent of the capital and 56.58 percent of the votes.

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

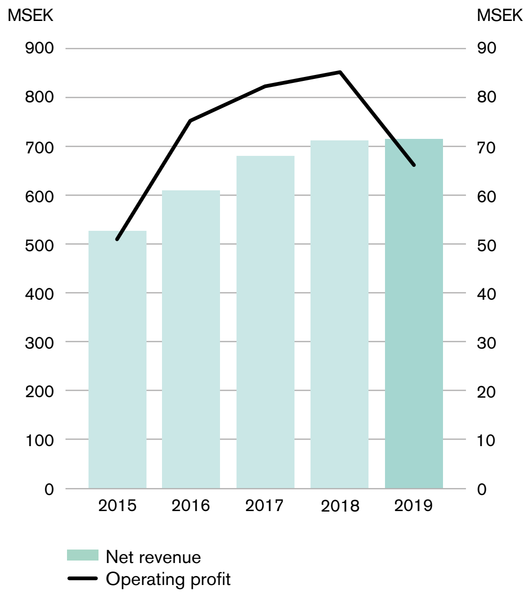
Nilörngruppen is one of Europe's leading players with revenue of MSEK 715 (712). Nilorn delivers more than 1.5 billion labels per year of different sizes and types. Nilörngruppen is represented with subsidiaries in Sweden, Denmark, Germany, Belgium, United Kingdom, Portugal, Hong Kong, India, Turkey, Bangladesh, China and Pakistan.

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

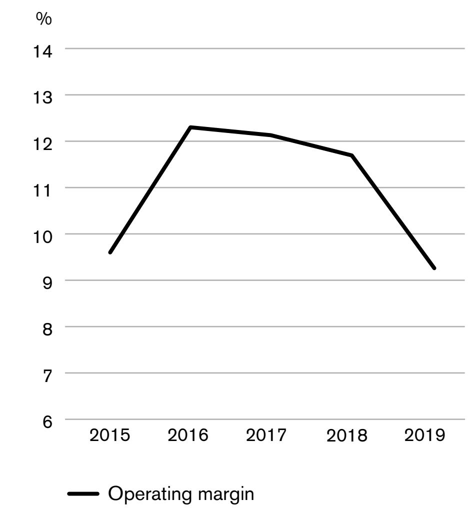
SUMMARY OF 2019
Order bookings
Order bookings increased by 1.5 percent to MSEK 749 (738).

Net revenue
Net revenue increased by 0.4 percent to MSEK 715 MSEK (712). Foreign currency exchange rates affected revenue positively by MSEK 30. This means that the underlying organic growth decreased revenue by 4 percent. The average HKD/SEK exchange rate weakened by 9 percent relative to the equivalent year-ago period. This had a major effect on revenue since a significant portion of Nilorn's revenue is denominated in HKD. Simultaneously the TRY has weakened by 9 percent, but the effect hereof is smaller due to lower revenue in Turkey. The Group's revenue is met by costs in each respective currency. The net effect on earnings is minimised thereby.

Net revenue and operating profit



Operating margin



Profit
Operating profit amounted to MSEK 66.2 (85.2), which lakes for an operating margin of 9.3 percent (11.9).

Raw materials and goods for resale relative to revenue was 57.0 (55.6) percent. The gross profit margin is affected by product and client mix and by major individual orders.

External costs decreased to MSEK 65.2 (82.2) and personnel costs increased to MSEK 153.8 (144.8). The decrease in external costs is partially attributable to the effect of operational leasing in accordance with IFRS 16 (MSEK 16.3) and an increase in personnel costs as a consequence of a larger number of employees to meet the growing volume and for continued expansion. Other external costs amounted to MSEK 9.1 (11.5) percent of revenue and personnel costs accounted for 21.4 (19.9) percent.

Depreciation increased to MSEK 24.6 (8.4). The increase is primarily an effect of IFRS16 which affected depreciation in an amount of MSEK 15.2, but also the investment in enterprise systems and buildings.

The tax expense amounted to MSEK 15.8 MSEK (13.1), which is equivalent to a tax rate of 25.1 percent (15.7). The reason for the low tax rate last year is attributable to recording deferred taxes attributable to the Belgian company.

Profit after taxes amounted to MSEK 47.2 (70.7).

Tie-up capital
Capital tied up in inventories increased by MSEK 11 to MSEK 119 (108) and trade receivables decreased by MSEK 24 to MSEK 59 (83). A large part of Nilorn's business is based in Asia, where both trade receivables and inventories are recorded in Hong Kong Dollar (HKD), which means that currency fluctuations will have considerable effect on capital tied up when converted to SEK. Assets are financed in local currency, however, so the effect on profit is marginal.

Cash flow, capital expenditure and financial position
Cash flow from operating activities amounted to MSEK 63 (60). Cash flow from investment activities amounted to MSEK –52 (–28), of which MSEK 6 is attributable to a new enterprise system and MSEK 44 is attributable to tangible non-current assets where the investment in a building in England is the largest. Year-end interest-bearing net liabilities amounted to MSEK —90 MSEK (—3). Transition to the new leasing standard, IFRS16, increased interest-bearing liabilities by MSEK 56. Comparable numbers not including the effect of IFRS16 is net liabilities of MSEK 34 with the increase attributable to the investment in buildings.

Cash and cash equivalents amounted to MSEK 32 at year-end (38). In addition, hereto there were unutilised bank credit facilities totalling MSEK 47 (47).

Equity amounted to MSEK 187 at year-end (181). The difference is made up of the year's profit of MSEK 47 (71), dividend paid MSEK –46 (–46) and translation differences of MSEK 4 (2).

The equity ratio at year-end stood at 45 percent (53).

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 9 percent in Asia, decreased in in other Europe by 6 percent and in the Nordic region by 23 percent.

The operating result increased in Asia by MSEK 4.4 to MSEK 41.9, other Europe by MSEK —18,8 to MSEK 16.7 and in the Nordic region by MSEK —3,8 to MSEK 9.1. The reason why other Europe lost revenue as well as profit are a number of large clients who are shrinking their revenue and margin due to excessive inventories production moved from Europe to Asia and major loss of packaging orders. Parts of this loss we already know will come back next spring.

The Group's operating result decreased by MSEK 0.6 to MSEK —1,5.

Personnel
The average number of employees in the Group at year-end 2019 was 494 (482), of which 216 (210) were women. 252 (265) of the employees were engaged in production and warehousing. For additional details refer to Note 7.

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

Significant events
- The Board of Directors proposes to the Annual General Meeting that no dividend will be paid for the 2019 operating year
- Nilorn Portugal invests in 750m2 solar panels on the roof of its plant.
- Implementation of a new enterprise system continues and is expected to be completed by mid-2021.
- The English business has moved into new premises, which were competed during the year. Also in Sweden investments have been made in a new building.
- The factory in Bangladesh, which started operations in December 2017, had a positive development and its production capacity was increased during the year.

TRANSACTIONS WITH CLOSELY RELATED PARTIES
During the year Nilörngruppen sold services for TSEK 108 (95) to the principal owner, AB Traction with subsidiaries. No transactions with a significant effect on the Group's profit and financial position have occurred during the period. The Parent Company's transactions with subsidiaries relate to design, product development, IT and other services.

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

RESEARCH AND DEVELOPMENT
Costs for research and development are expensed and were less than one percent of net revenue for 2019 (<1 percent).

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

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

FINANCIAL RISKS

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

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

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

SUSTAINABILITY REPORT

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

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

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

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

THE GROUP'S OUTLOOK FOR 2020

Nilörngruppen and its customers are extensively affected by the Coronavirus. Our customers feel a clear slow down. The effects of COVID-19 are difficult to predict with precision, but most of Nilorn's companies see a clear decline caused by the current concern. The events are closely monitored, and we follow the recommendations of local authorities and decisions in order to continuously adapt operations in our markets as the situation develops.

Until the outbreak of the Coronavirus, Nilorn's order bookings were clearly positive, particularly from countries such as Italy, UK and Belgium. Our efforts on sustainability, RFID and design have given us competitive advantages which has been noticed by our customers. 2019 was a capital expenditure-intensive year for Nilorn as we invested in looms and multi-colour printing in Bangladesh, a building in England and one in Sweden, several new looms in Portugal and continued implementation of the Group's new enterprise system. The only investment expected to be made during 2020 is continued implementation of the enterprise system, which is expected to be fully functional in all countries in 2021.

PARENT COMPANY OPERATIONS

The Parent Company's business largely consists of managing group-wide functions such as branding and design, product development, accounting, administration, information and IT. The average number of employees during 2019 was 21 persons (22).

Dividends from subsidiaries were received during the year in an amount of MSEK 100 (54) and group contributions were received in an amount of MSEK 11 (10).

Net revenue for the period January — December amounted to MSEK 28 (29). The operating result amounted to MSEK –2.3 MSEK (–2.1) and profit after net finance items was MSEK 98 (50).

PROPOSED ALLOCATION OF PROFIT (TSEK)

The Company's annual report will be presented for adoption at the Annual General Meeting to be held 14 May 2020.

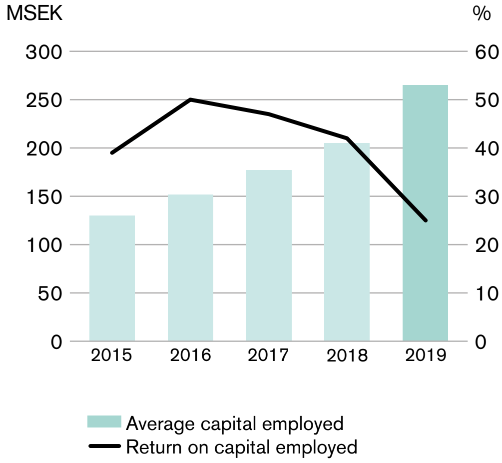
The following amounts in the Parent Company are at the disposal of the Annual General Meeting:

Retained earnings	**85,345**
Dividend 2019	–45,608
Profit for the year	103,481
Funds available for distribution	**143,218**

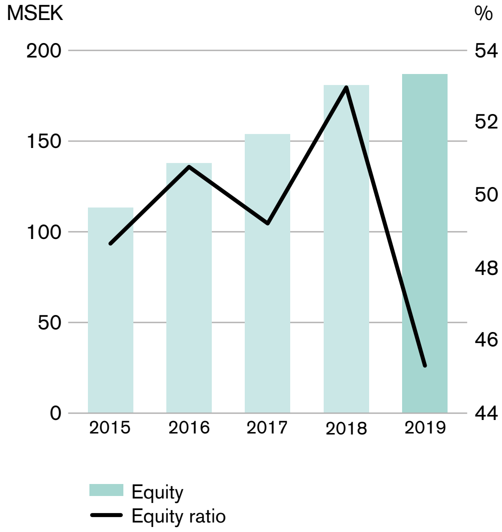
Because of the extraordinary circumstances taking place during spring 2020, due to the Coronavirus and COVID-19, The Board of Directors proposes to the Annual General Meeting that no divided will be paid for the 2019 operating year.

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

Capital employed and return on capital employed



Equity and equity ratio



Design collection | **SYLWANDER**

Corporate governance report

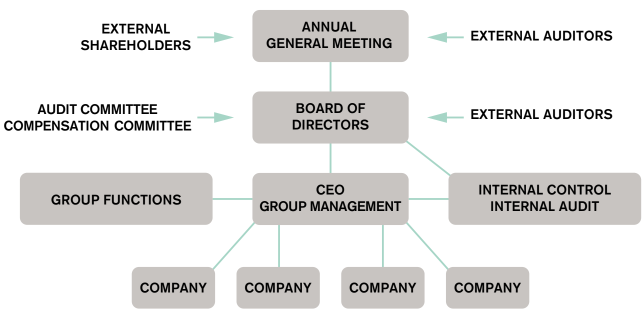
CORPORATE GOVERNANCE
Nilörngruppen applies the principles of good corporate governance to promote trust among all stakeholders, thereby increasing competitiveness. Among other things, this means that operations are organised in an efficient manner with clear rules for delegation, that the financial,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

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

Described below is how the Group is governed, step by step, from the owners to the operative activities and how corporate governance was conducted in the Nilorn Group during 2019.

THE SWEDISH CODE OF CORPORATE GOVERNANCE
Deviations from the code
Rule: Nomination committee
Förklaring: 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 the shareholders at the Annual General Meeting and the CEO, which is in accordance with the Swedish Companies Act, other legislation, the Board of Directors and the CEO, which occurs in accordance with the Swedish Companies Act, other legislation and regulations, rules in force for stock market companies, the Articles of Association, the internal rules of procedure of the Board Directors and other internal control instruments.

SHAREHOLDERS
At year-end 2019 Nilörngruppen had 4,815 shareholders (3 717). The ten largest shareholders at year-end owned 58.65 percent of the capital and 76.47 percent of the votes and the largest owner, AB Traction via subsidiaries, owned 24 percent of the capital and 57 percent of the votes.

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

ANNUAL GENERAL MEETING 2019
Nilörngruppen's Annual General Meeting was held on May 15, 2019 in Borås. Complete information about the 2019 regularly scheduled Annual General Meeting is available at the website www.nilorn.com.

ANNUAL GENERAL MEETING 2020
The Annual General Meeting will be held at 5:00 p.m. on May 14, 2020 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.

COMPOSITION OF THE BOARD OF DIRECTORS

2019			**Presence**		**Independence**	
Directors	Elected	Fee SEK	Regularly sceduled Board of Directors meetings	Statutory Board of Directors meetings	Relative to the Company and management	Relative to major shareholders
Stillström Petter (Chairman since 2009)	2007	180,000	7/7	1/1	yes	no
Schottenius Vilhelm	2009	100,000	7/7	1/1	yes	yes
Lagerkvist Blenda	2018	100,000	7/7	1/1	yes	yes
Larsson Johan	2018	100,000	7/7	1/1	yes	yes

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

TASKS OF THE BOARD OF DIRECTORS

The tasks of the Board of Directors are governed by law and recommendations and by the rules of procedure of the Board of Directors. The Board of Directors review the rules of procedure annually and adopts them by a decision of the Board of Directors. The rules of procedure regulate the distribution of responsibility between the Board of Directors and the President, the President's powers, the meeting schedule and reporting. The Board of Directors meetings deal with budgets, interim reports, the annual accounts, the business situation, capital expenditures and business establishment. The Board of Directors also receive reports 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 2019 the Board of Directors held seven 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 answers a questionnaire. The answers are compiled and the results discussed at a board meeting. The Board of Directors continuously evaluates the work of the President by following the development of the business towards the set goals.

AUDIT COMMITTEE

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

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

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

REMUNERATION COMMITTEE

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

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

TERMS OF EMPLOYMENT FOR THE CEO

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

COMPENSATION TO THE BOARD OF DIRECTORS

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

AUDITOR

At the 2019 Annual General Meeting, the audit firm KPMG was appointed as auditor. In conjunction with the Annual General Meeting, Mathias Arvidsson was appointed to serve as responsible for the audit. Thomas Bohlin's other assignments MQ, Christian Berner, Nelly NLY and IKEA of Sweden. Mathias Arvidsson owns no shares in Nilörngruppen.

THE AUDIT WORK

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

OPERATIONAL MANAGEMENT OF THE BUSINESS

The Board of Directors of Nilörngruppen appoints the President of the Parent Company, who also serves as Chief Executive Officer. Written instructions establish how responsibilities are divided between the CEO and the Board of Directors. The CEO's responsibility for day-to-day operations includes ongoing investments and divestments, personnel, financial and accounting issues, day-to day contacts with the Company's stakeholders, such as authorities and the financial market, and to ensure that the Board of Directors gets the information needed to make well-founded decisions The CEO reports to the Board of Directors. The CEO has appointed a management group 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 and control activities in order to effectively manage the risks that the Board of Director and management deem to be essential. The control activities are aimed at timely detection or prevention of the risk of incorrect reporting.

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

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

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

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

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

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

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

Amounts in TSEK	Note	2019	2018
	1, 2		
Net revenue	3	715,354	712,020
Other operating income	5	5,114	9,259
Total operating revenue		**720,468**	**721,279**
Raw materials and supplies		–407,623	–396,033
Other external costs	28	–65,157	–82,178
Personnel costs	7	–153,753	–144,770
Deprecation amortisation and impairment charges	9, 10	–24,600	–8,362
Other operating expenses	6	–3,162	–4,699
Operating result	3	**66,173**	**85,237**
Financial income	3, 26	734	587
Financial expense	3, 27	–3,825	–1,978
Net finance items		**–3,091**	**–1,391**
Profit before taxes		**63,082**	**83,846**
Taxes	3, 8	–15,840	–13,122
Profit for the year		**47,242**	**70,724**
Attributable to:			
The Parent Company's equity holders		47,242	70,724
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		4.14	6.20
Earnings per share, SEK after dilution		4.14	6.20
Dividend per share, SEK (for 2019, as proposed by the Board of Directors)		-	4.00

Consolidated Report on Comprehensive Result

Amounts in TSEK	2019	2018
Profit for the year	47,242	70,724
Other comprehensive result that can be restated as profit for the year		
Translation differences	4,193	1,723
Items not attributable to the year's result		
Re-evaluation of defined benefit pension plan	104	13
Total comprehensive result for the period	**51,539**	**72,460**
Period's comprehensive result attributable to:		
The Parent Company's equity holders	51,539	72,460

Consolidated Balance Sheet

Amounts in TSEK	Note	2019	2018
ASSETS	1, 2		
Non-current assets			
Intangible non-current assets	9	21,251	16,594
Tangible non-current assets	10	147,240	52,760
Shares in associated companies	12	530	493
Long-term receivables	13	3,334	2,974
Deferred tax assets	8	8,773	7,469
Total non-current assets		**181,128**	**80,290**
Current assets			
Inventories	15	119,007	107,934
Trade receivables	16	59,382	83,175
Other receivables	16	6,703	5,204
Current tax assets		6,627	6,640
Prepaid expenses and accrued income	17	7,214	19,973
Derivative Instruments	30	27	68
Cash and cash equivalents		32,292	37,935
Total current assets		**231,252**	**260,929**
TOTAL ASSETS		**412,380**	**341,219**
EQUITY AND LIABILITIES	1, 2		
Equity			
Share capital		2,850	2,850
Other contributed capital		43,231	43,231
Reserves		156	–4,037
Retained earnings including the year's profit		140,463	138,723
Equity attributable to the Parent Company's equity holders		**186,700**	**180,767**
Total equity		**186,700**	**180,767**
Long-term liabilities			
Long-term provisions	19	755	528
Deferred tax liabilities	8	2,679	1,558
Liabilities to credit institutions		47,834	-
Other non-interest-bearing liabilities		68	17
Total long-term liabilities		**51,336**	**2,103**
Current liabilities			
Short-term interest-bearing liabilities	18	74,084	40,457
Trade payables		54,256	69,602
Current tax liabilities		5,932	3,716
Other non-interest-bearing liabilities		3,960	6,613
Accrued expenses and prepaid income	20	36,112	37,961
Total current liabilities		**174,344**	**158,349**
TOTAL EQUITY AND LIABILITIES		**412,380**	**341,219**

Changes in Consolidated Equity

Amounts in TSEK	Share capital	Other contributed capital	Reserves	Retained earnings incl. profit for the year	Total	Total equity
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						
Period's translation differences			1,723		1,723	1,723
Revaluation of defined benefit pension plan				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
Profit for the year				47,242	47,242	47,242
Other comprehensive profit						
Period's translation differences			4,193		4,193	4,193
Revaluation of defined benefit pension plan				104	104	104
Transactions with shareholders						
Dividend				–45,606	–45,606	–45,606
EQUITY 2019-12-31	2,850	43,231	156	140,463	186,700	186,700

CLASSIFICATION OF EQUITY

Share capital

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

Other contributed capital

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

Reserves

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

Retained earnings

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

CAPITAL MANAGEMENT

The Group's equity, which in its entirety is attributable to the Parent Company's equity holders amounted to TSEK 186,700 (180.767). Nilorn's financial strategy is to create satisfactory financial conditions for the Group's operations and development. For 2019 the return on equity was 25.7 percent (42.3) and the equity ratio was 45.3 percent (53.0).

The Board of Directors proposes that no dividend be paid 2019.

Consolidated Cash Flow Statement

Amounts in TSEK	**2019**	**2018**
Operating activities		
Operating profit	66,173	85,237
Adjustment for items not included in cash flow		
Depreciation, amortisation and impairment charges	24,600	8,362
Capital gains/losses on non-current assets	-	80
Other items not affecting liquidity	–16,623	1,025
	74,150	**94,704**
Interest income	734	590
Interest paid	–1,569	–1,981
Taxes paid	–13,612	–15,373
Cash flow from operating activities before changes in working capital	**59,703**	**77,940**
Cash flow from changes in working capital		
Inventories	–8,326	4,911
Trade receivables	27,252	–3,577
Other short-term receivables	11,315	–10,930
Accounts payable	–18,733	5,462
Other liabilities	–7,898	–14,082
Cash flow from operating activities	**63,313**	**59,724**
Investment activities		
Acquisition of intangible non-current assets	–6,481	–4,994
Acquisition of tangible non-current assets	–43,629	–15,505
Acquisition of financial non-current assets	–38	-
Received in sale of tangible non-current assets	-	423
Change in long-term receivable	–1,313	–8,136
Cash flow from investment activities	**–51,461**	**–28,212**
Financing activities		
Repayment / raised loans	26,910	5,546
Dividend paid	–45,606	–45,606
Cash flow financing activities	**–18,696**	**–40,060**
Cash flow for the year	**–6,844**	**–8,548**
Cash and cash equivalents at beginning of year	37,935	44,837
Translation difference in cash and cash equivalents	1,201	1,646
Cash and cash equivalents at year-end	**32,292**	**37,935**

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

Parent Company Income Statement

Amounts in TSEK	**Note**	**2019**	**2018**
	1, 2		
Net revenue	4	28,309	29,413
Other operating income	5	200	128
		28,509	**29,541**
Raw materials, supplies and merchandise	4	-	–93
Other external costs	28	–11,166	–10,867
Personnel costs	7	–17,756	–19,186
Depreciation, amortisation and impairment charges	9, 10	–1,912	–1,457
Operating profit		**–2,325**	**–2,062**
Profit from financial investments			
Result from shares in Group companies	29	100,492	53,863
Interest income and similar items	26	1,594	1,743
Interest expense and similar items	27	–2,208	–3,144
Profit after financial items		**97,553**	**50,400**
Year-end appropriations	24	7,326	7,840
Taxes on the year's profit	8	–1,398	–1,430
Profit for the year		**103,481**	**56,810**

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

Parent Company Balance Sheet

Amounts in TSEK	**Note**	**2019**	**2018**
ASSETS	1, 2		
Non-current assets			
Intangible non-current assets	9	17,958	12,892
Tangible non-current assets	10	1,208	1,560
Financial non-current assets			
Shares in Group companies	11	120,448	119,282
Due from Group companies	14	6,428	4,749
Total financial non-current assets		*126,876*	*124,031*
Total non-current assets		**146,042**	**138,483**
Current assets			
Short-term receivables			
Accounts receivable	16	174	-
Due from Group companies		44,546	102,622
Other receivables		3,008	3,854
Prepaid expenses and accrued income	17	1,052	952
Derivative instruments	30	27	64
Total short-term receivables		*48,807*	*107,492*
Total current assets		**48,807**	**107,492**
TOTAL ASSETS		**194,849**	**245,975**
EQUITY AND LIABILITIES	1, 2		
Equity			
Restricted equity			
Share capital (960,000 class A shares, quotient value SEK 0.25 and 10,441,988 class B shares, quotient value SEK 0,25)		2,850	2,850
Total restricted equity		*2,850*	*2,850*
Unrestricted equity			
Premium reserve			
Retained earnings		39,737	28,535
Profit for the year		103,481	56,810
Total unrestricted equity		*143,218*	*85,345*
Total equity		**146,068**	**88,195**
Untaxed reserves	23	**7,786**	**4,186**
Current liabilities			
Interest-bearing liabilities to credit institutions	18	2,000	30,952
Accounts payable		743	1,716
Due to Group companies		32,567	113,629
Other non-interest-bearing liabilities		827	939
Accrued expenses and prepaid income	20	4,858	6,358
Total current liabilities		**40,995**	**153,594**
TOTAL EQUITY AND LIABILITIES		**194,849**	**245,975**

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Changes in Parent Company Equity

Amounts in TSEK	**Share capital**	**Unrestricted equity**	**Total equity**
EQUITY 2017–12–31	**2,850**	**74,143**	**76,993**
Profit for the year	-	56,810	56,810
Dividend	-	–45,608	–45,608
EQUITY 2018–12–31	**2,850**	**85,345**	**88,195**
Profit for the year	-	103,481	103,481
Dividend	-	–45,608	–45,608
EQUITY 2019–12–31	**2,850**	**143,218**	**146,068**

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

Cash Flow Statement for the Parent Company

Amounts in TSEK	**2019**	**2018**
Operating activities		
Operating result	–2,325	–2,062
Adjustment for items not included in cash flow		
Depreciation, amortisation and impairment charges	1,912	1,457
Other items not affecting liquidity		
	–413	**–605**
Interest income	1,594	1,743
Interest paid	–2,208	–3,144
Taxes paid	–1,398	–984
Cash flow from operating activities before changes in working capital	**–2,425**	**–2,990**
Cash flow from changes in working capital		
Trade receivables	–174	-
Other short-term receivables	58,859	–439
Trade payables	–973	231
Other current liabilities	–82,674	35,128
Cash flow from operating activities	**–27,388**	**31,930**
Investment activities		
Acquisition of intangible non-current assets	–6,393	–4,888
Acquisition of tangible non-current assets	–232	–224
Acquisition of and additions to Group companies	–1,166	–20,906
Change in long-term receivable	–1,679	–4,667
Cash flow from investment activities	**–9,470**	**–30,686**
Financing activities		
Net changes in short-term interest-bearing loans	–28,952	–9,502
Dividend income	100,492	53,863
Group contributions, received	11,166	-
Group contributions, rendered	–240	-
Dividend paid	–45,608	–45,606
Cash flow from financing activities	**36,858**	**–1,245**
Cash flow for the year	**0**	**0**
Cash and cash equivalents at beginning of year	0	0
Cash and cash equivalents at year-end	**0**	**0**

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

Notes

Contents

1) Accounting policies

The consolidated financial statements for Nilörngruppen AB for the financial year ending 31 December 2019 have been approved by the Board of Directors and the President for publication on 8 April 2019 and will be presented to the 2019 Annual General Meeting for adoption. The Parent Company is a Swedish corporation (publ.), domiciled in Borås, Sweden.

REGULATIONS APPLIED

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

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

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

Group

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

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

Changed accounting policies

Starting in 2019, Nilorn reports discounts to customers as reduced revenue, as opposed to before as other operating income. Prior years have also been adjusted in the interest of comparability. This means that2018 revenue was adjusted downwards by MSEK 17.2 and other external expenses by the equivalent.

New accounting policies 2019

IASB issued several new and amended accounting standards that came into force on 1 January 2019. Only IFRS 16 Leases has any effect on the Group's financial reports. IFRS 16 Leases came into force on 1 January 2019. The standard removes categorisation of leases as either operational or financial leases, as required by IAS 17, and instead introduces a common model for accounting of all leases. In this model the lessee shall report (a) assets and liabilities for all leases with a rental period exceeding 12 months, with the exception of leases with low value, and (b) depreciation of leased assets separately from the interest expense for leasing in the incomes statement. In the transition to IFRS 16 Nilorn has, as of January 1, 2019, applied a modified retroactive method, which means that the financial reports for 2018 are not re-calculated. The lease liability is now the present value of all future fees until the lease has expired. The simplification rule that the right-of-use asset (before adjustment for any advance payments) shall be equivalent to the lease liability, has been applied during the transition period. The discount rate is the Group's marginal loan 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 are regaded as a lease component. The exceptions of not reporting short-term leases and assets of low value has also been applied. The exceptions of not reporting short-term agreements and assets of low value, has also been applied. Management's judgments and assumptions are required in order 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 rate. The opening balance of the lease liability and the right-of-use amounts to MSEK 63 for existing leases. Each respective company's marginal loan rate has been used to discount the lease liability. Refer to Note 26 for information on the financial effects of the transition to IFRS 16.

New accounting policies 2020

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

Parent Company

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

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

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

CRITICAL ESTIMATES AND JUDGMENTS

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

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

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

Valuation of tax loss carryforwards

As of 31 December 2019, the Group has tax loss carryforwards amounting to TSEK 32.046. These tax loss carryforwards have been tested as other date of closing the books and it has been judged as probable that the tax loss carryforward can be offset against surpluses in future taxation. Deferred tax assets attributable to these tax loss carryforwards amount to TSEK 4.845 and refer to the tax loss carryforwards in Belgium, which can be utilised for unlimited time. Operations in Belgium are expected to generate future surpluses. Nilörngruppen therefore feels that there are factors that convincingly indicate that the tax loss carryforwards which tax assets are attributable to will be able to be utilised against future surpluses.

Disputes

Nilorn is not involved in any disputes.

Trade receivables

Receivables are reported net after making a provision for doubtful claims. The net value reflects the amounts expected to be collected based on circumstances known on the balance sheet date. Changes in circumstances, such as an increase in defaults, or changes in significant customer's financial position, may entail significant discrepancies in the valuation. At year-end 2019 trade receivables amounted to TSEK 76,238, net after reserves for doubtful claims. The reserve for doubtful claims amounted to TSEK 5,308 at the end of 2019 (7,908).

Note 1 continued

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

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

BASES FOR CONSOLIDATION

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

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

The consolidated financial statements contain no year-end appropriations in the income statement, or any untaxed reserves in the balance sheet. The tax portion of year-end allocations is treated as tax on the year's result, with the rest carried to the year's result. The tax 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.

NONCURRENT ASSETS

Intangible and tangible non-current assets

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

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

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

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

IMPAIRMENT OF INTANGIBLE AND ANGIBLE NON-CURRENT ASSETS

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

FINANCIAL INSTRUMENTS

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

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

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

Financial assets

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

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

Financial assets	Accrued acquisition value 2019-12-31	Loan receivables and trade receivables 2018-12-31
Other long-term receivables	3,334	2,974
Trade receivables	59,382	83,175
Cash and cash equivalents	32,292	37,935
Total	**95,008**	**124,084**

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

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

Liabilities

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

Financial liabilities are distributed as follows in the balance sheet:

Financial liabilities	Accrued acquisition value 2019-12-31	Other financial liabilities 2018-12-31
Short-term interest-bearing liabilities	74,084	40,457
Trade payables	54,256	69,602
Total other financial liabilities	**128,340**	**110,059**

Derivative instruments

The Group's derivative instruments at year-end 2019 are shown in Note 30.

ASSOCIATED COMPANIES

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

Associated companies are reported in accordance with the equity method.

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

REVENUE RECOGNITION

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

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

LEASING

IFRS 16 Leases entered into force on 1 January 2019. The standard removes the distinction between operational and financial leases, as required by IAS 17, and instead introduces a common model for accounting for all leases. On this model the lessee must report (a) assets and liabilities for all leases with a rental period of more than 12 months, with the exception of assets with low value, and (b) depreciation of leased assets separately from the interest cost of leasing in the income statement. In the transition to IFRS 16 on January 1, 2019 Nilorn used a modified retroactive method, which has the effect that the 2018 financial reports are not recalculated.

For the comparative year, leases are classified in the consolidated financial statements either as financial or operating leases. Financial leases exist when the financial risks and benefits associated with ownership are essentially transferred to the lessee. Financial leases exist when the economic risks and benefits associated with ownership are essential transferred to the lessee. In all other cases it it is a matter of operating leases. As lessee Nilorn has no significant leases. Operational leases include rent on premises.

Note 1 continued

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

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

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

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

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

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

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

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

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

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

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

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

The Group's payments for defined contribution pensions schemes are expensed in the period during which the employees have performed the services the fee relates to. The Group total cost for defined contribution pension plans is TSEK 6,926 (6,486), of which premiums paid in Sweden amount to TSEK 3,337 (3,925).

TRANSACTIONS WITH CLOSELY RELATED PARTIES
During 2019 Nilörngruppen AB sold services to AB Traction and subsidiaries for TSEK 108. From the perspective of the Group, there are no other transactions with closely related parties during 2019. The Parent Company's transactions with subsidiaries relate to design, product development, IT and other services.

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

2) Financial risks and risk management

The group is exposed through its operations to different kinds of financial risks. By financial risk is meant fluctuations in the Company's profit and cash flow due to changes in foreign exchange rates, interest rate levels, 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 Nilorn Group revenue – about 90 percent – is in currencies other than the Group's functional currency. Thanks to local purchases and sales there is matching among the subsidiaries within the same currency area, however. That means that the impact of that currency on consolidated net profit is limited, but has major effect on individual items in the consolidated income statement, such as net revenue, raw materials and supplies, goods for resale, etc. The effect hereof is that a 10 percent stronger Swedish krona impacts consolidated revenue negatively by approximately MSEK 70 and net profit by approximately MSEK 4.

Counterparties in derivated 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 IFRS 9 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

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

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

INTEREST RISK

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

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

FINANCING RISK

Nilorn has an overdraft checking account facility in a total approved amount of MSEK 127, of which MSEK 66.2 was utilised as of 31 December 2019. The Company's need for external financing may increase over time. The Company's ability to pay its debt and fulfil its obligations and live up to the terms and conditions for the overdraft checking account facility, and also the Company's ability to raise loans on favourable terms and conditions, or to obtain credit at all and to make payments in accordance with its obligations, rests the Company's future profits, among other things. Certain aspects of the Company's results depend on economic, financial, competition-related and other factors beyond the control of Nilörngruppen. If the Company fails in fulfilling its obligations under the checking account overdraft facility, or in the future breeches any of the terms and conditions for the credit, this may have a significant negative impact on the Company's business, results and financial position.

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

RAW MATERIAL RISK

Price risk

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

Supplier dependence

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

CREDIT RISK

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

IT–SECURITY

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

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3) Reporting over geographic areas

PRIMARY SEGMENTS – GEOGRAPHIC AREAS

	Nordic countries	Other Europe	Asia	Group activities	Total
2019 Financial Year					
Revenue					
External revenue	62,505	209,488	443,361	-	715,354
Total revenue	**62,505**	**209,488**	**443,361**	**0**	**715,354**
Profit					
Operating profit	9,056	16,685	41,925	–1,493	66,173
Interest income				734	734
Interest expense				–3,825	–3,825
Taxes on the year's profit				–15,840	–15,840
Profit for the year	**9,056**	**16,685**	**41,925**	**–20,424**	**47,242**
2018 Financial year					
Revenue					
External revenue	81,494	224,324	406,203	-	712,021
Total revenue	**81,494**	**224,324**	**406,203**	**0**	**712,021**
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**

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

4) Intra-Group purchases and sales

During the year Nilorn sold services for TSEK 108 (95) to the principal owner, AB Traction with subsidiaries. There were no transactions during the year that significantly affected the Group's profit or financial position.

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

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

5) Other operating revenue

	Group		Parent Company	
	2019	2018	2019	2018
Gains on sale of non-current assets	-	114	-	-
Exchange rate gains on receivables/liabilities of an operating nature	4,588	5,272	-	-
Other	526	3,873	200	128
Total operating revenue	**5,114**	**9,259**	**200**	**128**

6) Other operating expenses

	Group	
	2019	2018
Capital losses	19	36
Exchange rate losses on receivables/liabilities of an operating nature	3,026	4,622
Other	117	41
Total other operating expenses	**3,162**	**4,699**

7) Employees, salaries and other compensation

AVERAGE NUMBER OF EMPLOYEES (WHEREOF WOMEN)

	Group				Parent Company			
	2019		2018		2019		2018	
Sweden	38	(18)	41	(19)	22	(5)	21	(4)
Denmark	7	(4)	8	(4)				
Germany	32	(18)	30	(17)				
Belgium	10	(7)	11	(7)				
Turkey	28	(14)	25	(10)				
United Kingdom	37	(18)	39	(19)				
Portugal	58	(33)	58	(32)				
India	20	(6)	20	(6)				
Bangladesh	106	(5)	93	(4)				
China	11	(2)	29	(16)				
Pakistan	27	(14)	8	(1)				
Hong Kong	120	(77)	120	(75)				
Total average number of employees	**(494)**	**(216)**	**482**	**(210)**	**22**	**(5)**	**21**	**(4)**

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

	Group				Parent Company			
	2019		2018		2019		2018	
Directors	4	(1)	6	(3)	4	(2)	6	(2)
CEOs and other senior executives	13	(2)	13	(2)	2	(-)	2	(-)
Total number of directors and senior executives	**17**	**(3)**	**19**	**(5)**	**6**	**(2)**	**8**	**(2)**

SALARIES, OTHER COMPENSATION AND SOCIAL BENEFITS

	Group		Parent Company	
	2019	2018	2019	2018
Salaries and other compensation	121,216	113,444	10,861	11,569
Social benefits	17,502	17,110	4,202	4,568
Pension costs	7,709	7,316	2,065	2,671
Total compensation	**146,427**	**137,870**	**17,128**	**18,808**

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	
	2019	2018
Chairman of the Board of Directors, Petter Stillström	180	180
Gunilla Brisinger	-	100
Blenda Lagerkvist	100	100
Johan Larsson	100	100
Vilhelm Schottenius	100	100
Marie Nilsson Peterzén	-	100
Total compensation the Board of Directors	**480**	**680**

COMPENSATION AND OTHER BENEFITS
TO OTHER MEMBERS OF SENIOR MANAGEMENT

	Basic salary	Variable compensation	Other benefits	Pension cost	Total	Social Benefits Parent Company
2019						
President	1,732	-	5	436	2,173	546
Other members of senior management, Parent Company	1,032	-	116	271	1,419	360
Total	**2,764**	**-**	**121**	**707**	**3,592**	**906**
Presidents of subsidiaries in Group management	2,055	237	673	95	3,060	
Presidents, subsidiaries	7,474	247	169	532	8,422	
Group total	**12,293**	**484**	**963**	**1,334**	**15,074**	
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**	

CEO

Compensation to Nilörngruppen's Chief Executive Officer for 2019, Claes af Wetterstedt, has been decided by the Board of Directors and amounted during the financial year to TSEK 1,732 (2,131), of which TSEK 0 (459) was a bonus. The notice period for the CEO is mutual twelve months. There is no agreement on severance payment.

Other senior executives

Compensation to other members of senior management in the Parent Company was decided by the President in consultation with the Chairman of the Board of Directors. Salaries and other compensation to other members of senior management in the Parent Company amounted to TSEK 1,032 during the 2019 financial year (1,229). By other members of senior management in the Parent Company is meant the persons who together with the President constitute Nilörngruppen's Group management and are employed by Nilörngruppen AB. During 2019 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 revenue trend and is maximised to between 0 and 12 monthly salaries, depending on country and position. There are no severance payment agreements.

Pension commitments

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

8) Taxes

TAXES ON THE YEAR'S PROFIT

	Group		Parent Company	
	2019	2018	2019	2018
Current taxes	16,203	17,556	1,398	985
Deferred taxes	–363	–4,127	-	445
Current taxes applicable to prior years	-	-307	-	-
Total taxes on the year's profit	**15,840**	**13,122**	**1,398**	**1,430**

RECONCILIATION OF REPORTED TAXES

	Group		Parent Company	
	2019	2018	2019	2018
Profit before taxes	63,082	83,846	104,879	58,240
Taxes according to current tax rate 21.4%	13,500	18,446	22,444	12,813
Non-deductible expenses	854	1,103	23	35
Non-taxable income	–721	–747	–21,505	–11,849
Profit in Group companies for which tax expenses are not recognised	-	–1,219	-	–391
Losses in Group companies for which tax expenses are not recognised	316	-	-	-
Adjustment in previous year's tax assessment	–327	–327	-	20
Revaluation of deferred tax asset	64	–4,689	-	-
Utilisation of deferred tax assets	-	-	-	445
Foreign tax rates	19	–575	-	-
Other taxes	2,135	1,130	436	357
Reported effective taxes	**15,840**	**13,122**	**1,398**	**1,430**

DEFERRED TAX LIABILITY

	Group	
Change	2019	2018
Opening balance	7,469	2,298
Revaluation of deferred tax assets	1,062	3,729
Utilisation of deferred tax assets	-	–391
Other temporary differences	280	1,869
Effect of exchange rate fluctuations	–38	–36
Closing balance	**8,773**	**7,469**
Specification		
Internal profit	117	117
Tax loss carryforward	4,845	3,783
Other temporary differences	3,811	3,569
Total deferred tax asset	**8,773**	**7,469**

DEFERRED TAX LIABILITY

	Group	
Change	2019	2018
Opening balance	1,558	1,157
Other temporary differences	335	644
Untaxed reserves	792	440
Effect of exchange rate fluctuations	–6	–8
Closing balance	**2,679**	**1,558**
Specification		
Other temporary differences	966	637
Untaxed reserves	1,713	921
Total deferred tax liability	**2,679**	**1,558**

Note 8 continued

As of 31 December 2019, the Group has tax-loss carryforwards totalling TSEK 32.046. These tax-loss carryforwards were assessed as of the balance sheet date and it has been deemed probable that the loss carryforwards can be offset against surpluses in future taxation. Deferred tax assets attributable to these tax-loss carryforwards amount to TSEK 4.845 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, EXTERNALLY ACQUIRED

	Group		Parent Company	
	2019	2018	2019	2018
Opening cost	23,454	19,645	16,595	11,707
Capital expenditures during the year	6,476	4,933	6,393	4,888
Sales and disposals during the year	–40	–1,460	-	-
Effect of exchange rate fluctuations	124	336	-	-
Closing cost	**30,014**	**23,454**	**22,988**	**16,595**
Opening accumulated depreciation and amortisation according to plan	6,860	4,972	3,703	2,850
Depreciation and amortisation according to plan during the year	1,877	1,837	1,327	853
Depreciation and amortisation according to plan on assets sold and disposed of during the year	–40	–31	-	-
Effect of exchange rate changes	66	82	-	-
Closing accumulated depreciation and amortisation according to plan	**8,763**	**6,860**	**5,030**	**3,703**
Carrying value at year-end	**21,251**	**16,594**	**17,958**	**12,892**

OTHER INTANGIBLE NON-CURRENT ASSETS, INTERNALLY GENERATED

	Group		Parent Company	
	2019	2018	2019	2018
Opening cost	9,064	9,064	9,064	9,064
Closing cost	**9,064**	**9,064**	**9,064**	**9,064**
Opening accumulated depreciation and amortisation according to plan	9,064	9,064	9,064	9,064
Closing accumulated depreciation and amortisation according to plan	**9,064**	**9,064**	**9,064**	**9,064**
Carrying value at year-end	**0**	**0**	**0**	**0**

REPORTED VALUES OF INTANGIBLE NON-CURRENT ASSETS

	Group		Parent Company	
	2019	2018	2019	2018
Goodwill	3,199	3,585	-	-
Other intangible non-current assets, externally generated	18,052	13,009	17,958	12,892
Total	**21,251**	**16,594**	**17,958**	**12,892**

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

10) Tangible non-current assets

BUILDINGS AND LAND

	Group	
	2019	2018
Opening cost	22,005	19,746
Investments during the year	32,044	2,091
Effect of exchange rate fluctuations	413	168
Closing cost	**54,462**	**22,005**
Opening accumulated depreciation according to plan	3,814	3,157
Depreciation according to plan during the year	767	562
Effect of exchange rate fluctuations	37	95
Closing accumulated depreciation according to plan	**4,618**	**3,814**
Carrying value at year-end slut	**49,844**	**18,191**

PLANT AND MACHINERY

	Group	
	2019	2018
Opening cost	59,444	70,844
Investments during the year	8,734	9,916
Sales and disposals during the year	−2,255	−22,643
Effect of exchange rate fluctuations	1,918	1,327
Closing cost	**67,841**	**59,444**
Opening accumulated depreciation according to plan	40,361	59,898
Depreciation according to plan during the year	3,058	2,287
Depreciation according to plan on assets sold and disposed of	−2,236	−22,525
Effect of exchange rate fluctuations	748	701
Closing accumulated depreciation according to plan	41,932	40,361
Carrying value at year-end	**25,910**	**19,083**

EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

	Group		Parent Company	
	2019	2018	2019	2018
Opening cost	41,136	38,068	3,691	3,467
Investments during the year	2,896	4,154	232	224
Sales and disposals during the year	−902	−2,053	-	-
Reclassification	425	-	-	-
Effect of exchange rate fluctuations	928	967	-	-
Closing cost	**44,483**	**41,136**	**3,923**	**3,691**
Opening accumulated depreciation according to plan	25,650	22,497	2,131	1,527
Depreciation according to plan during the year	3,715	3,676	584	604
Depreciation according to plan on assets sold and disposed of	−883	−1,479	-	-
Reclassification	409	-	-	-
Effect of exchange rate fluctuations	596	956	-	-
Closing accumulated depreciation according to plan	**29,487**	**25,650**	**2,715**	**2,131**
Carrying value at year-end	**14,996**	**15,486**	**1,208**	**1,560**

CARRYING VALUES OF TANGIBLE NON-CURRENT ASSETS

	Group		Parent Company	
	2019	2018	2019	2018
Buildings and land	49,844	18,191	-	-
Plant and machinery	25,910	19,083	-	-
Equipment, tools, fixtures and fittings	14,996	15,486	1,208	1,560
Leasing according to IFRS 16	56,491	-	-	-
Total	**147,240**	**52,760**	**1,208**	**1,560**

Design collection | **MINDORA**

11) Shares in Group companies

GROUP COMPANIES – SCOPE OF HOLDING

Company	**Currency**	**Nominal value**	**Number**	**Capital stake**	**Carrying value** 2019	2018
Nilörn AB	TSEK	100	1,000	100	3,150	3,150
Nilorn Denmark A/S	TDKK	1,800	3,600	100	8,541	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	21,144
Nilörn Property Development AB	TSEK	100	100,000	100	1,989	1,989
Nilorn Property Development UK	TGBP				-	-
					120,448	**119,282**

	Parent Company 2019	2018
Carrying value at the beginning of the year	119,282	98,376
Shareholder contribution	1,166	20,906
Carrying value at year-end	**120,448**	**119,282**

SUBSIDIARIES' SHARES IN SUBSIDIARIES

Company	**Currency value**	**Number**	**Capital stake**	**Carrying value** **2019**	**2018**
Nilorn UK Ltd	**TEUR**			**TGBP**	**TGBP**
Nilorn Portugal Indústria de Etiquetas Lda, Portugal	50	-	100	400	400
Lee & Ferreira Lda, Portugal	2	-	100	24	24
				424	**424**
Nilorn East Asia Ltd	**TCNY**			**THKD**	**THKD**
Nilorn Shanghai	1 336	-	100	1,749	1,749
				1,749	**1,749**

12) Shares in associated companies

	Group 2019	2018
Opening value	493	482
Effect of exchange rate fluctuations	37	11
Carrying value at year-end	**530**	**493**

Company	**Domicile**	**Share**	**Carrying value**	**Proportion of equity**
Calmon Abacus Textiles Private Ltd	India	49	530	1,006
			530	**1,006**

The value of the shares in Calmon Abacus Textiles Private Ltd have been written down to Nilorn's 49 percent holding of adjusted equity.

13) Long-term receivables

	Group	
	2019	2018
Opening balance	2,974	2,307
New lending	110	462
Financial leases	259	-
Repayments	–140	-
Effect of exchange rate changes	131	205
Closing balance	**3,334**	**2,974**

Of the long-term receivables as of 31 December 2019 TSEK 2 ,975 refers to deposits (2,744).

14) Due from Group companies

LONG-TERM RECEIVABLES

	Parent Company	
	2019	2018
Opening balance	4,748	82
New lending	1,603	4,651
Effect of exchange rate changes	77	15
Closing balance	**6,428**	**4,748**

15) Inventories

	Group	
	2019	2018
Raw materials and supplies	11,041	8,226
Work in progress	210	281
Finished products and goods for resale	107,756	99,427
Total inventories	**119,007**	**107,934**

Reserve attributable to inventories amounts to TSEK 11,446 (10,275)

	Group	
Change in obsolescence reserve	2019	2018
At beginning of year	10,275	5,340
Reserves added during the year	4,187	5,816
Utilised reserves	–3,016	–881
Carrying value at year-end	**11,446**	**10,275**

16) Trade receivables

TRADE RECEIVABLES

The provision of trade receivables is made after individual assessment. In accordance with IFRS 9. As of 31 December 2019 the carrying value of the reserve for doubtful accounts receivable amounted to TSEK 5,308 (7,982). The carrying value of the reserve has evolved as follows:

RESERVE FOR DOUBTFUL ACCOUNTS RECEIVABLE	Group	
	2019	2018
Opening balance	7,982	7,908
Reserves added during the year	–735	2,605
Utilised reserves	–1,678	–1,870
Reversed unutilised reserves	–442	–742
Effect of exchange rate fluctuations	181	81
Carrying value at year-end	**5,308**	**7,982**

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

	Group		Parent Company	
	2019	2018	2019	2018
Receivables not past due	29,386	37,515	117	-
Receivables past-due <30 days	15,676	25,290	57	-
Receivables past-due 30-60 days	9,247	14,224	-	-
Receivables past-due 60-90 days	4,043	4,024	-	-
Receivables past-due 90-120 days	479	2,113	-	-
Receivables due in >120 days	551	9	-	-
Net total value of trade receivables	**59,382**	**83,175**	**174**	**0**

Other short-term receivables

As of 31 December 2019, the booked reserve for doubtful other receivables amounted to TSEK 0 (0).

17) Prepaid expenses and accrued revenue

	Group		Parent Company	
	2019	2018	2019	2018
Prepaid rents	356	2,289	50	49
Prepaid insurance	954	905	12	69
Prepaid license fees	682	430	615	365
Prepaid advertising and trade show expenses	251	255	-	-
Prepaid property taxes	88	-	-	-
Prepaid cost of goods	37	13,313	-	-
Prepaid consulting fees	123	146	-	-
Other prepaid expenses	1,753	2,337	247	329
Accrued income	2,970	298	128	140
Total prepaid costs and accrued revenue	**7,214**	**19,973**	**1,052**	**952**

18) Interest-bearing liabilities

GROUP

Total approved credit facilities as of 31 December 2019 amounts to MSEK 127 (of which MSEK 66.2 was utilised. For more information about Nilorn's exposure to interest rate risk and risk for exchange rate changes reference is made to Note 2.

PARENT COMPANY

Total approved bank credit facility as of 31 December 2019 in the Parent Company amounts to MSEK 60,0 (whereof utilised MSEK 2.0).

19) Long-term provisions

	Group	
	2019	2018
Defined benefit pension plans	755	528
Total provisions	**755**	**528**

DEFINED BENEFIT PENSION PLANS

	Group	
	2019	2018
At beginning of year	528	760
Benefits earned during the year	-	65
Benefits paid	-	–137
Effect of exchange rate changes	227	–160
Carrying value of provision for pensions at year-end	**755**	**528**

20) Accrued expenses and prepaid income

	Group		Parent Company	
	2019	2018	2019	2018
Accrued salary and holiday pay liabilities	10,807	11,913	2,339	3,557
Accrued social benefits	3,573	3,583	1,530	1,703
Accrued audit expenses	183	-	-	-
Accrued commission expenses	1,256	1,286	290	156
Accrued commission costs	8,446	10,039	-	-
Accrued freight costs	686	1,341	-	-
Accrued cost of goods	4,079	4,423	-	-
Other	7,082	5,376	699	942
Total accrued expenses and prepaid income	**36,112**	**37,961**	**4,858**	**6,358**

21) Pledged assets

	Group		Parent Company	
	2019	2018	2019	2018
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 additional non-active guarantee commitments for group companies.

22) Contingent liabilities

	Group		Parent Company	
	2019	2018	2019	2018
Guarantees for subsidiaries	-	-	15,229	12,246
Other contingent liabilities	-	309	-	-
Total contingent liabilities	**0**	**309**	**15,229**	**12,246**

23) Untaxed reserves

	Parent Company	
	2019	2018
Supplementary depreciation	4,600	2,200
Accrual reserve, fiscal year 2013	-	200
Accrual reserve, fiscal year 2014	650	650
Accrual reserve, fiscal year 2015	236	236
Accrual reserve, fiscal year 2018	900	900
Accrual reserve, fiscal year 2019	1,400	-
Total untaxed reserve	**7,786**	**4,186**

Deferred tax in untaxed reserves is estimated to be 22 percent and amounts to TSEK 1713 (921), which is not carried in the balance sheet.

24) Year-end appropriations

	Parent Company	
	2019	2018
Supplementary depreciation	–2,400	–2,200
Reversal of accrual reserve	200	1,100
Allocation to accrual reserve	–1,400	–900
Group contributions received	11,166	10,270
Group contributions rendered	–240	–430
Total year-end appropriations	**7,326**	**7,840**

25) Leasing

NILÖRNGRUPPEN AS LESSEE

Operating leases

The Group's cost for rental agreements and leasing commitments of an operating character for 2019 amounted to TSEK 19,963 (16,863). The Group's future rental payments amounted to TSK 97,180. The Parent Company's rental cost during 2019 amounted to TSEK 1,002 (1,140) and the future rental payments amounted to TSEK 2,945. The future payments under operating leases are distributed as follows:

	Group	Parent Company
2020	19,260	878
2021	18,049	780
2022	17,734	705
2023	15,426	582
2024	13,536	-
2025	13,176	-
Total future payments from operating leases	**97,180**	**2,945**

Note 25 continued

2018 Financial year	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**

INFORMATION ABOUT IFRS 16 LEASES

IFRS 16 Leases came into force on 1 January 2019. The new standard removes the distinction between financial and operating leases, as stipulated in IAS 17, and instead introduces a common model for recognising all leasing. With this model the lessee reports (a) assets and liabilities for all leases with a rental period longer than 12 months, except for assets of low value, and (b) depreciation of leased assets separately from the interest cost of leasing in the income statement. In the transition to IFRS 16 on 1 January 2019 Nilorn has used a modified retroactive method, which means that the financial reports for 2018 are not re-calculated. The lease liability is the present value of all future fees until the leases have expired. The simplification rule that the right-of-use asset (before adjustment for any advance payments) shell be equivalent to the lease liability, has been applied in the transition. The discount interest rate is the marginal loan rate in each respective country at the time of the lease, with due consideration taken to the tenor of the lease. The weighted average rate is 4,61%.

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

The Group's leases refer only to right-of-use assets relating to real estate and the year's depreciation amounts to TSEK 15,178. The year's interest expense on loan liabilities amounts to TSEK 1 849. Leases added during the year amount to TSEK 3,480. The yeaar's closing balance amounts to TSEK 56,491 The year's cost for short-term leasing/assets with low value amounts to TSEK 3,646 and the year's cash flow relating to lease payments amounts to TSEK 16,316.

EFFECTS ON ASSETS, LIABILITIES AND EQUITY, 1 JANUARY 2019

Assets	**Balance sheet items 1 January 2019**	**Recalculation to IFRS 16**	**Recalculated balance sheet items 1 January 2019**
Tangible non-current assets	52,760	66,761	119,521
Prepaid expenses	19,973	–1,413	18,560
Total assets	**72,733**	**65,348**	**138,801**
Total Equity	**180,767**		**180,767**
Long-term loan liabilities			
Lease liabilities	-	49,032	49,032
Total long-term liabilities	**0**	**49,032**	**49,032**
Current liabilities			
Loan liabilities	40,457	16,316	56,773
Total current liabilities	**40,457**	**16,316**	**56,773**
Total equity and liabilities	**221,224**	**65,348**	**286,572**

Note 25 continued

RECONCILIATION INFORMATION OPERATING LEASES ACCORDING TO IAS 17 AND REPORTED LEASE LIABILITY ACCORDING TO IFRS16

	Amounts in MSEK
Undertakings for operating leases as of 31 December 2018	72
Leases with low value/short term (deducted since they are expensed)	–2
Discounting effect	–4
Prepaid leasing fees	–1
Recorded lease liability in balance sheet 1 January 2019	**65**

RENTAL AGREEMENTS

	2019
Opening cost	66,761
Investments during the year	3,480
Effect of exchange rate changes	1,429
Closing cost	**71,669**
Opening accumulated depreciation according to plan	-
Depreciation according to plan during the year	15,178
Closing accumulated depreciation and impairment charges	**15,178**
Carrying value at year-end	**56,491**

MATURITY ANALYSIS

MSEK	Year 1	Year 2–5	Later than 5 years
Lease liabilities	14,384	41,306	-
Classified as			
Long-term liabilities		41,306	-
Current liabilities	14,384		

26) Interest income and similar items

	Group		Parent Company	
	2019	2018	2019	2018
Internal interest income	-	-	1,594	1,743
External interest income	734	482	-	-
Other	-	105	-	-
Total interest income and similar items	**734**	**587**	**1,594**	**1,743**

27) Interest expense and similar items

	Group		Parent Company	
	2019	2018	2019	2018
Internal interest income	-	-	1,554	2,528
External interest expense	3,108	461	460	350
Exchange rate loss on long-term liabilities	407	1,341	194	266
Exchange rate loss on currency futures	-	176	-	-
Other	310	-	-	-
Total interest expense and similar items	**3,825**	**1,978**	**2,208**	**3,144**

28) Audit fees

FEES AND COST REIMBURSEMENT	Group		Parent Company	
	2019	2018	2019	2018
KPMG				
Audit assignments	855	914	418	268
Tax advice	-	25	-	-
Other assignments	40	36	-	-
Other auditors				
Audit assignments	490	536	-	-
Tax advice	95	53	-	-
Other assignments	264	104	-	-
Total audit fees and cost reimbursement	**1,744**	**1,668**	**418**	**268**

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	
	2019	2018
Dividends	100,492	53,863
Total profit from shares in subsidiaries	**100,492**	**53,863**

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 2019. All contracts are in officially traded currencies and the contracts are extended for an average period of three months. Contracts outstanding as of year-end all mature on 17 March 2020. 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 27 (68) and TSEK 95 (267), respectively, as of 31 December 2019. The forward contracts were valued at fair value based on the exchange rate prevailing on the balance sheet date and the forward rate for each respective contract.

Only the derivatives listed below are carried at fair value.

OUTSTANDING FORWARD EXCHANGE CONTRACTS

Currency	**Hedged volume in TSEK**	**Rate on balance sheet date**	**Countervalue in SEK**	**Maturity date**
HKD	–6,001	1.1966	–7,181	17/03/2020
EUR	–1,352	10.4336	–14,106	17/03/2020
GBP	406	12.2145	4,959	17/03/2020
USD	–10	9.3171	–93	17/03/2020
DKK	1,342	1.3968	1,875	17/03/2020
Countervalue SEK	14,482	1.0000	–14,547	

Unrealised exchange rate gain amounts to TSEK 65 as of the balance sheet date.

31) Maturity dates for the Group's financial liabilities

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

2018	MSEK	0-3 months	4-12 months	1-2 years	Total contracted cash flow
	Bank loans and checking account overdraft facilities	9.6	30.9		40.5
	Trade payables	69.6			69.6
	Foreign exchange forward contracts, inflow	83.5			83.5
	Foreign exchange forward contracts, outflow	83.5			83.5

Design collection | **BLAKE**

32) Transactions with closely related parties

During the year Nilörngruppen has sold services for TSEK 108 (95) to the principal owner, AB Traction and subsidiaries. No transactions between Nilörngruppen and closely related parties that have significantly affected the Group's profit or financial position have occurred during the period. The Parent Company's transactions with subsidiaries refer to design, product development , IT and other services.

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

33) Appropriation of company profit

The Board of Directors proposes that unrestricted equity, TKR 143,218 be allocated as follows:

To be carried forward	143,218
Total	**143,218**

34) Shares in the Parent Company

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

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

35) Events after the balance sheet date

Nilörngruppen and its customers are highly affected by the Coronavirus. Our customers feel a clear slowdown. The effects of COVID–19 are difficult to predict with any precision, but most of Nilorn's companies see a clear decline caused by the current concerns. Events are closely monitored, and we follow the recommendations and decisions of local authorities in order to continuously adapt operations in our markets as the situation develops. Until the outbreak of Coronavirus, Nilorn had clearly positive order bookings in the Group, mainly attributable to countries such as Italy, the UK and Belgium.

However, earlier forecasts have been significantly revised with demand for the company's products having been greatly affected. At the time of the annual report however, it is very difficult to estimate If this large impact is short-term, i.e. a number of months, or If the impact will be more long-term. There is considerable uncertainty in the outside world and as a consequence, there is considerable uncertainty both in the possibility of obtaining deliveries and of obtaining sales for the company products. We closely monitor developments and take continuous action to limit the negative effects on the company. The measures we have taken are to adapt costs to lower volumes and to minimise the risks in inventories and accounts receivable, which as seen from capital tied up are substantially the greatest risks to Nilorn. The cost savings taken to date include government subsidised layoffs of personnel in Europe and temporary renegotiation of leases.

As reported on 3 April 2020, the Board of Directors has appointed Krister Magnusson, CFO since 2008, as CEO of Nilörngruppen AB until such time as a permanent CEO assumes office. Claes af Wetterstedt's resignation took place in the light of not having provided full information in his tax returns in accordance with the Swedish Tax Agency's regulations. According to prosecutors, this failure will have legal consequences. Against this background, it has been assessed that Nilörngruppen needs another CEO, even though this omission as such does not affect the Nilörngruppen.

Please also refer to Interim report Q1 2020 for events after the balance sheet date.

Definition of alternative key financial indicators

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

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

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

CLARIFICATION OF SIGNS
USED IN THE TABLE:

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

Calculated as below:

Revenue growth	**Group**	
	2019	**2018**
	12 months	**12 months**
	Jan-Dec	**Jan-Dec**
Net revenue for the period (MSEK)	71.4	712
Net revenue for the previous period (MSEK)	712	680.4
Net revenue for the previous period (MSEK)	/712	/680.4
Revenue growth (%)	**0.5**	**4.6**

Operating margin	**Group**	
	2019	**2018**
	12 months	**12 months**
	Jan-Dec	**Jan-Dec**
Operating profit (MSEK)	66.2	85.2
Net revenue (MSEK)	/715.4	/712
Operating margin (%)	**9.3**	**12.0**

Profit margin	**Group**	
	2019	**2018**
	12 months	**12 months**
	Jan-Dec	**Jan-Dec**
Profit before taxes (MSEK)	63.1	83.8
Net revenue (MSEK)	/715.4	/712
Profit margin (%)	**8.8**	**11.8**

Capital employed	**Group**	
	2019	**2018**
	12 months	**12 months**
	Jan-Dec	**Jan-Dec**
Balance sheet total (MSEK)	412.4	341.2
Long-term provisions	–0.8	–0.5
Other long-term non interest-bearing liabilities	-	-
Trade payables	–54.3	–69.6
Current taxes	–5.9	–3.7
Other non interest-bearing liabilities	–4	–6.6
Accrued expenses and prepaid income	–36.1	–38
Deferred taxes	–2.3	–1.6
Capital employed (MSEK)	**309.4**	**221.2**

Average capital employed	Group	
	2019	2018
	12 months	12 months
	Jan-Dec	Jan-Dec
Capital employed at the beginning of the period (MSEK)	221.2	189.6
Capital employed at the end of the period(MSEK)	309.4	221.2
	/2	/2
Average capital employed (MSEK)	**265.3**	**205.4**

Return on capital employed	Group	
	2019	2018
	12 months	12 months
	Jan-Dec	Jan-Dec
Profit before taxes (MSEK)	63.1	83.8
Financial costs (MSEK)	3.8	2
Average capital employed (MSEK)	/265.3	/205.4
Return on capital employed (%)	**25.2**	**41.8**

Average equity	Group	
	2019	2018
	12 months	12 months
	Jan-Dec	Jan-Dec
Equity at the beginning of the period (MSEK)	180.8	153.9
Equity at the end of the period (MSEK)	186.7	180.8
	/2	/2
Average equity (MSEK)	**183.8**	**167.4**

Return on equity	Group	
	2019	2018
	12 months	12 months
	Jan-Dec	Jan-Dec
Profit of the period (MSEK)	47.2	70.7
Average equity (MSEK)	/183.8	/167.4
Return on equity (%)	**25.7**	**42.3**

Equity ratio	Group	
	2019	2018
	12 months	12 months
	Jan-Dec	Jan-Dec
Equity (MSEK)	186.7	180.8
Total assets (MSEK)	/412	/341.2
Equity ratio (%)	**45.3**	**53.0**

Interest-bearing net cash/debt	Group	
	2019	2018
	12 months	12 months
	Jan-Dec	Jan-Dec
Cash and cash equivalents (MSEK)	32.3	37.9
Short term interest-bearing liabilities (MSEK)	–74.0	–40.5
Interest-bearing net cash/debt (MSEK)	**–41.7**	**–2.5**

Earnings per share	Group	
	2019	2018
	12 months	12 months
	Jan-Dec	Jan-Dec
Equity (MSEK)	186.7	180.8
Number of shares outstanding	/11.402	/11.402
Equity per share	**16.4**	**15.9**


THE
FLORENCE
PROJECT

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, 17 April 2020

Petter Stillström
Chairman of the Board Directors

Vilhelm Schottenius
Director

Johan Larsson
Director

Blenda Lagerkvist
Director

Krister Magnusson
CEO

Our audit report concerning this annual report and consolidated financial statements was submitted on 21 April 2020.

KPMG AB

Mathias Arvidsson
Authorised Public Accountant

Petter Stillström
Chairman

Vilhelm Schottenius
Director

Johan Larsson
Director

Blenda Lagerkvist
Director

Board of Directors

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

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

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

Blenda Lagerkvist
born 1976
Director
Manages her own consultancy in the field of organisational and leadership development.
Director of Nilörngruppen since 2018.
Shareholding: 830

Krister Magnusson
Acting CEO and CFO

Andrew Hoppe
Asia Manager

Management

Krister Magnusson
born 1966
Acting CEO and CFO
B.Sc. Economics
Krister Magnusson was employed by Nilörngruppen in 2008 having previously held the CFO at New Wave Group.
Shareholding: 60,000

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

Auditors

KPMG
Chief auditor:

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

Auditor's Report

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Nilörngruppen AB for the year 2019, except for the corporate governance statement on pages 30-31. The annual accounts and consolidated accounts of the company are included on pages 26-70 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 2019 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 2019 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 30-31. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Key Audit Matters

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

Revenue Recognition

See accounting principles on page 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 715.4 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 resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 2019 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined 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 30-31 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 11908, 404 39 Göteborg, was appointed auditor of Nilörngruppen AB by the general meeting of the shareholders on the 15 May 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2013.

Göteborg April 21, 2020

KPMG AB

Mathias Arvidsson
Authorized Public Accountant

Annual General Meeting

The Annual General Meeting will be held on Thursday 14 May 2020 at 17:00 p.m. at Nilorn's head office , Wieslanders väg 3, SE-504 31 Borås, Sweden.

NOTICE

Shareholders who wish to participate in the proceedings of the Annual General Meeting must have their names entered in the share register maintained by Euroclear Sweden AB by Friday 8 May 2020, 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, or by e-mail to reception@nilorn.com not later than Friday 8 May 2020. Such notice must include the name, personal ID number/corporate ID number, address, telephone number and registered shareholding. Shareholders represented by a proxy must issue a power of attorney for the proxy. The power of attorney should be sent to the company well in advance of the meeting at the above address.

If the power of attorney has been issued by a legal entity, a certified copy of the registration certificate for the legal person must be attached. Shareholders whose shares are nominee-registered must temporarily have the shares re-registered in their own name in order to have the right to participate in the Meeting. Such registration must be completed with Euroclear Sweden AB by Friday May 8 2020. This means that the shareholder must inform the custodian well in advance of this day.

Under current circumstances, we will take a number of measures to reduce the risk of transmission. We are closely monitoring the development of the Corona virus and follow recommendations from relevant national authorities and international bodies, such as the Public Health Authority and WHO.Due to the above, Nilorn intends to hold a short and effective annual general meeting in order to as far as possible, limit the contact between the meeting participants. The following measures will include:

- No employees or officials who, for 14 days prior to the AGM visited risk areas or experienced illness symptoms will be present in the meeting room.
- Shareholders and representatives are asked to take corresponding precautions. Nilorn here recalls the opportunity for shareholders to participate via proxy. Proxy can be downloaded here.
- No food or beverages will be offered.
- Planned speeches are limited in time and the CEO's speech will be available on the company's website afterwards.
- Nilorn's Board members and senior executives attend the Annual General Meeting to a limited extent.
- Nilorn closely monitors the development of the event and will publish, if necessary updated information on the website prior to the AGM.

We hope for an understanding of the stricter approach than had been planned and look forward to many shareholder meetings in the future.

DIVIDEND

Due to the extraordinary circumstances prevailing in spring 2020 with the spread of the Corona virus and COVID-19, the board has decided to withdraw its previous dividend proposal.

The companies in Nilorn

Parent Company

NILÖRNGRUPPEN AB
Wieslanders väg 3
Box 499
501 13 Borås
SWEDEN
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info@nilorn.com
www.nilorn.com

Subsidiaries & Partners

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info@nilorn.com

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SWITZERLAND
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Fax: +41 62 855 27 59
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