

The Nederman logo, consisting of the word "Nederman" in a bold, blue, sans-serif font, is positioned in the top right corner of the image. It is set against a white background that forms a horizontal bar across the top of the page.

Nederman

The Clean Air Company



2019

Annual Report and
Sustainability Report



The Clean Air Company

Clean air

Clean air was Nederman's business concept from the very beginning, more than 75 years ago. Today, demands to contribute actively to more efficient production and reduced emissions are more relevant than ever before. And Nederman is at the forefront of this development.



Poor air quality affects us all

Air pollution is currently one of the most common causes of a shortened lifespan. On average, poor air quality reduces every person's life expectancy by 20 months - worldwide.

The Health Effects Institute (HEI) is an independent air pollution and global health research organisation and is the principal behind the State of Global Air, an annual report that monitors the trend in air pollution and its causes all over the world.

HEI estimates that more than 90 percent of the world's population lives in areas where air pollution exceeds the WHO's guidelines for healthy air.

Microscopic airborne particles called PM_{2.5} are the most common indicator. The sources of emissions vary, but within many areas, industrial production is one of the most important.

While the facts appear alarming, there are rays of hope. China, the world's most populated country and historically one of the largest sources of emissions, is gradually introducing stricter regulatory frameworks, which are resulting in considerable improvements.

At Nederman, we see it as our role to actively inform, influence and offer solutions that enable industrial production to reduce its share of emissions.

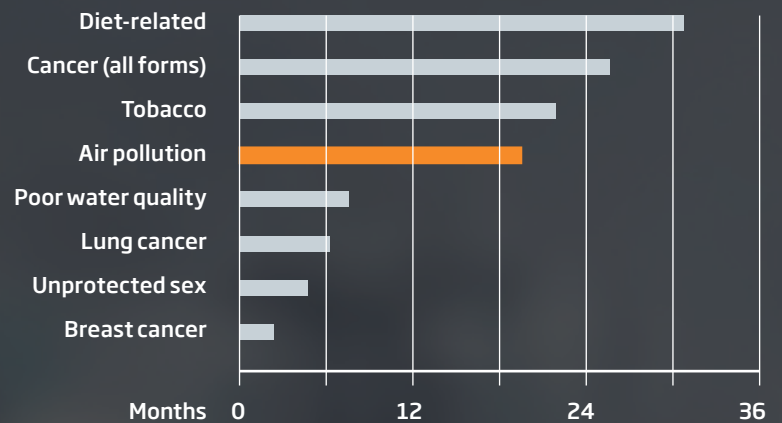
Sources: Health Effects Institute, Health Effects Institute, 2019. State of Global Air 2019



90%

Share of people who live in areas with poor air quality

Common risk factors reduce life expectancy by



5 million

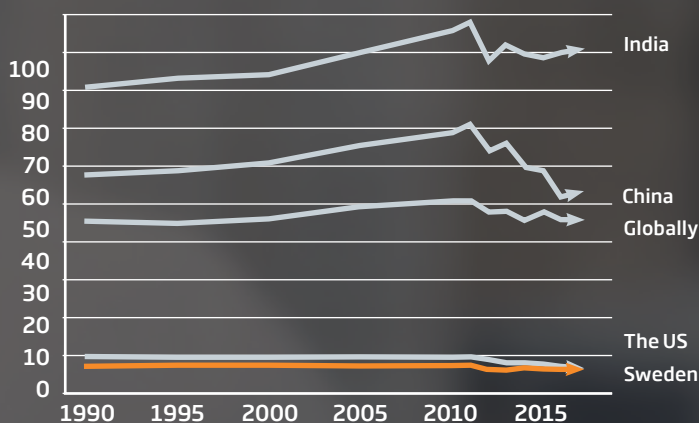
Number of people who died prematurely of causes related to air pollution in 2017

1 year 8 months

Life expectancy is expected to be reduced by this much due to air pollution

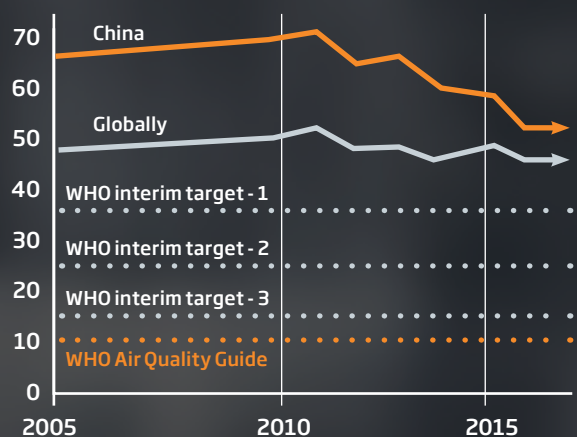
Sweden leading the way

Average annual $PM_{2.5}$ population weighted



China's emissions are decreasing

faster than those of the rest of the world



We protect people, production and our planet

Nederman's promise – to protect people, production and our planet from the harmful effects of industrial processes – is a unique declaration of our ambition to always stand alongside our customers as they take new steps towards tomorrow's production solutions.

Growing populations, expanding trade and ever-faster advances in technology will inevitably lead to greater demand for goods and products that involve industrial production. Clean air is one of the cornerstones of our customers' efforts to supply a growing global economy with efficient and sustainable production solutions.

Efficient and sustainable production – today and tomorrow

Greater demands for efficient and sustainable production are a part of our customers' daily lives. Our solutions to safeguard clean air aim to make everyday life easier, safer and more economical. Reliability and productivity are key concepts for the success and profitability of our customers when they choose to collaborate with us.



■ Health and safety

Today, a clean and safe work environment is more than a statutory requirement in most parts of the world. It is also a profitable investment for the employer. Studies indicate that a clean and safe environment, free from hazardous fumes, particles and the risk of explosions, leads to lower absence due to illness. It also makes the workplace more attractive in the race for highly qualified workers.



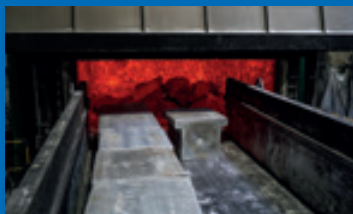
■ Product quality

Dust, smoke and other airborne particles contribute to wear and tear, and shorten the service life of production equipment. Clean air is also paramount to guaranteeing even and high product quality. Disruptions in production, product rejection and delayed deliveries are costly effects of poor air quality.



■ Recycling

Greater demand, rising prices and, in some instances, a lack of valuable input materials are leading to a greater need for more efficient recycling of materials. Cutting fluids, wood and metal shavings are a few examples where optimised use and increased recycling lead to financial and environmental gains.



■ Energy consumption

In many instances, the production industry is a major energy consumer. Rising prices and a lack of access to virtually all types of energy are an incentive for energy-efficient solutions and increased use of renewable sources of energy. Greater knowledge about the production process, coupled with support from new digital technologies, are key factors for the solutions of tomorrow.



■ Regulatory

Government authorities in virtually all markets now require that the environmental effects of production processes on the surrounding environment be continually measured and reported. Air pollution is one of the primary causes of premature death worldwide, which has resulted in new requirements and challenges for the manufacturing industry.

A global group

Nederman is one of the world's leading developers of products and solutions for advanced air filtration in demanding industrial environments. Our offering comprises individual products, complete solutions, project design, installation, commissioning and service.

Our head office is located in Helsingborg and we currently have about 2,400 employees, with manufacturing in 13 countries and sales in more than 50 markets through our own sales organisation, agents or resellers.

COMPETITIVE PRODUCTS

All of Nederman's products are developed for the purpose of promoting health and safety, enhancing production efficiency and minimising the customers' environmental impact. Today, we are leaders in the development of digital products and solutions to safeguard the future for our customers in energy use, recycling and compliance with regulatory requirements. Sales of individual products, small and medium-sized systems, and major system solutions with a high degree of customisation comprise the majority of the Group's sales. The sale of products and solutions provides a broad customer base that drives our service sales.

FULL-SERVICE OFFERING

A key feature of our offering is the ability to guarantee our customers the highest possible availability for their solutions. Our starting point is that we must be the alternative that offers the customer the lowest total cost over the life cycle of the solution. In addition to high-quality products, this means that we offer qualified service with a high level of availability to ensure continuous operation. The offering includes technical service, service contracts, spare parts and consumables.

Service sales are a priority area. In 2019, service grew and made up 17% of total sales.

MARKET-LEADING POSITIONS

Since establishment 75 years ago, Nederman has developed a broad and competitive product programme. This programme, combined with a comprehensive sales network and significant investments in new technology, is the foundation for our leading position in a global market. Size and market breadth give us economies of scale in terms of product development, purchasing and production. Nederman is already the segment leader in EMEA, but is now also second-largest in the vital Americas market and in the top five in APAC. This provides a strong platform on which to build further.

STRONG BRANDS

Today, Nederman addresses its market with a strong portfolio of brands. Our strategy is that each individual brand is to bring cutting-edge competence to the Group in a specific product area or market segment. Accordingly, we have the possibility to meet many different customer needs and market segments, in both mature and emerging markets. In recent years, we have devoted a great deal of energy in the brands NEO Monitors and Auburn FilterSense as a base for the development of an entirely new digital offering, which will secure the Group's future positions. The brand portfolio is continuously evaluated, while we simultaneously actively analyse potential acquisitions.

Nederman

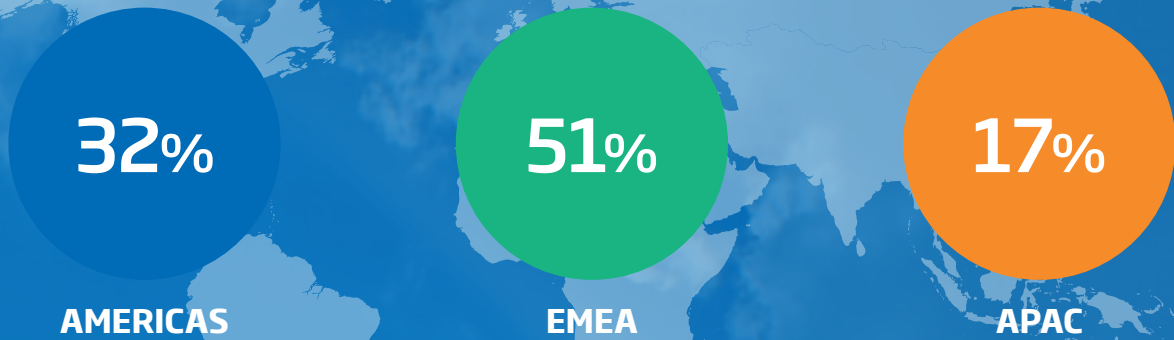
Luwa
Part of the Nederman Group

MIKROPUL
Nederman

PNEUMAFIL
Nederman

KDI
Part of the Nederman Group

Share of sales per market



Share of sales per sales portfolio



Share of sales per division



Contents

The Clean Air Company	2
2019 in brief	10
CEO's comments	12
Nederman today	
75 years in the service of clean air	16
A central idea: Clean air	18
Components for the entire cleaning process	20
Nederman's sales model	21
Critical initiatives in the world – every day	22
Global organisation for continued development	24
Acquisition of Gasmet gives new insight	26
Financial objectives	28
Nederman tomorrow	
How we shape the future for clean air	30
Global challenges drive our development agenda	32
Our path to greater value creation	34
The digitalisation journey	36
The hub: Insight IoT platform	38
Future-proofed SmartFilters	40
We call it myAir	41
Two customer cases	42
DIRECTORS' REPORT	
Sustainability Report	
Intensified efforts result in significant progress	44
Responsible business	46
Employees	50
Science Based Targets	54
Performance measures	55
Market and divisions	
Strong drivers for continued growth	60
Market and competitors	62
Extraction & Filtration Technology	64
Process Technology	66
Duct & Filter Technology	68
Monitoring & Control Technology	70
The Nederman Share	72
Review of business operations	74
Multi-year overview	76
Risks and risk management	78
Corporate governance	80
Guidelines for executive remuneration	84
Board of Directors	86
Group management	87
FINANCIAL REPORTS	
The Group	
Income statement	88
Statement of comprehensive income	89
Statement of financial position	90
Statement of changes in equity	91
Cash flow statement	92
Notes	93
Parent company	
Income statement	128
Statement of comprehensive income	128
Balance sheet	129
Statement of changes in equity	130
Cash flow statement	131
Notes	132
Signatures	139
Audit report	140
OTHER INFORMATION	
Definitions	145
Articles of Association	146
Notice to attend the Annual General Meeting	147

2019 in brief

- **Orders received** amounted to SEK 4,168.4m (3,479.5), which currency-neutral corresponds to an increase of 15.2 percent compared with the preceding year.
- **Sales** totalled SEK 4,307.7m (3,553.9), which currency-neutral corresponds to an increase of 16.6 percent compared with the preceding year.
- **Operating profit** amounted to SEK 343.2m (305.7), corresponding to an operating margin of 8.0 percent (8.6).
- **Adjusted operating profit** amounted to SEK 349.1m (318.9), corresponding to an adjusted operating margin of 8.1 percent (9.0).
- **Net profit** amounted to SEK 225.8m (202.8).
- **Earnings per share totalled** SEK 6.43 (5.78).
- The Board proposes a dividend of SEK 2.50 (2.30) per share.

Development by quarter

- The first quarter of the year was stable for Nederman. Orders received during the quarter grew to SEK 1,019.0m (781.7), equivalent to currency-neutral growth of 22.9 percent. Sales also displayed positive growth in the quarter and amounted to SEK 1,036.4m (785.8), equivalent to currency-neutral growth of 24.4 percent.
- The second quarter of the year was strong for Nederman as a whole. Orders received during the quarter grew to SEK 1,044.1m (912.1), equivalent to currency-neutral growth of 10.3 percent. Sales also displayed positive growth in the quarter and amounted to SEK 1,096.2m (863.9), equivalent to currency-neutral growth of 22.2 percent.
- Nederman performed well in the third quarter of the year. Total orders received amounted to SEK 964.6m (817.9), equivalent to currency-neutral growth of 10.0 percent. Sales totalled SEK 1,088.6m (835.2), equivalent to currency-neutral growth of 22.4 percent.
- Nederman performed favourably in the fourth quarter of the year. Total orders received amounted to SEK 1,140.7m (967.8), equivalent to currency-neutral growth of 18.1 percent. Organic growth amounted to 11.4 percent. Sales totalled SEK 1,086.5m (1,069.0), equivalent to currency-neutral growth of 1.8 percent.

Key figures

SEKm	2019	2018	2017*
Net sales	4,307.7	3,553.9	3,148.5
Adjusted EBITDA	495.8	440.1	338.5
Adjusted EBITDA margin, %	11.5	12.4	10.8
Operating profit	343.2	305.7	278.1
Operating margin, %	8.0	8.6	8.8
Adjusted operating profit	349.1	318.9	285.8
Adjusted operating margin, %	8.1	9.0	9.1
Profit before tax	307.3	267.5	260.1
Net profit	225.8	202.8	186.3
Earnings per share, SEK	6.43	5.78	5.31
Return on equity, %	17.3	17.7	18.1
Return on operating capital, %	14.1	16.5	18.0
Net debt	1,564.1	787.6	585.3
Net debt/equity ratio, %	113.5	63.8	54.4
Net debt/Adjusted EBITDA, multiple	3.2	1.8	1.7
Interest cover ratio, multiple	8.1	7.5	11.8

*Nederman Group applies the retroactive approach in relation to IFRS 16 Leases and figures for 2018 are therefore restated pursuant to the new standard. For earlier financial years, IAS 17 Leases was applied in accordance with the accounting policies that applied through 2017. See also accounting policies on pages 93-98.

Annual General Meeting to be held on 27 April 2020

The Annual General Meeting of Nederman Holding AB (publ) will take place on Monday, 27 April 2020 at the Hotel Marina Plaza, Kungstorget 6 in Helsingborg. See page 147 for further information.

Information on data in this report

Figures in brackets refer to business activities in 2018 unless otherwise stated. The currency used throughout is Swedish krona (SEK). Millions of Swedish kronor is abbreviated to SEKm and thousands of Swedish kronor to SEKt. The information presented in the Annual Report concerning markets, competition and future growth are Nederman's assessments based primarily on material compiled internally within the Group.

Distribution policy

The printed version of Nederman's Annual Report will be distributed to those shareholders who have specifically requested a copy. The Annual Report is also available in its entirety on the Group's website:

www.nedermangroup.com



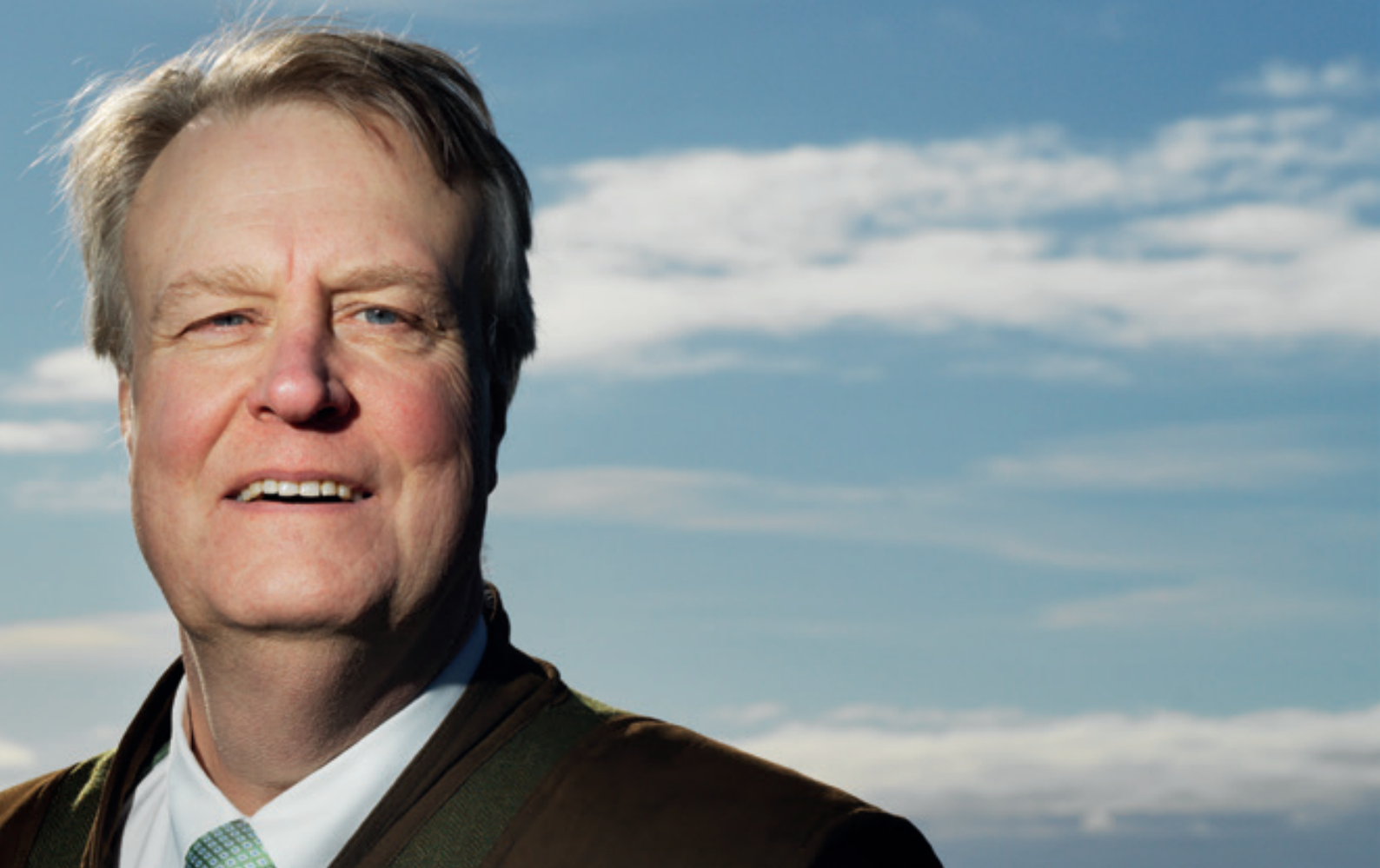
CEO's comments

We are leading the way towards competitive and sustainable production

A growing population and greater prosperity are fuelling demand for resource-efficient and sustainable industrial production. Clean air is a global challenge but we see a future built on continued economic growth, digital solutions and reduced emissions. A bright future in which Nederman will play a decisive role.

2019 was another record year for Nederman. Orders received grew currency-neutral by more than 15 percent. Sales rose by almost 17 percent, exceeding the SEK 4 billion threshold for the first time. The Group's operating profit followed suit and we have proposed a higher dividend. Above all, we continued to drive development in the industry towards new digital products and more servicification.

For me as CEO and my almost 2,400 employees, these figures are evidence that our joint efforts during the year have paid off. But this year's profit quickly becomes last year's profit, which is why it is more important to concentrate on the facts underlying our development thus far and, above all, on the trends we foresee in the future. We describe this journey using our motto The Clean Air Company.



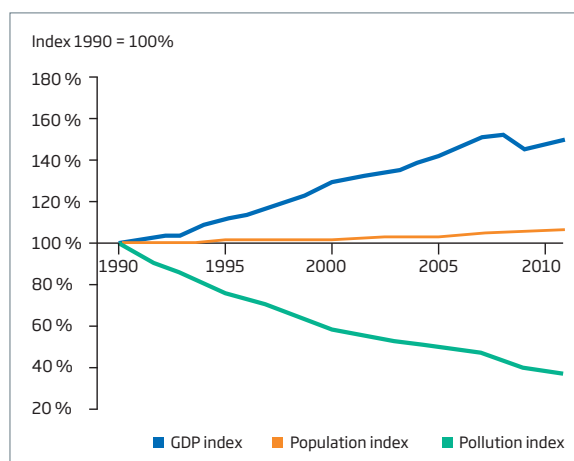
Clean air is a global challenge

Most of us consider access to clean air to be a free and infinite product. But that's not reality. Quite the contrary. More than 90 percent of the world's population lives in areas with poor air quality. This not only contributes to a lower quality of life, but also major costs that must be borne by society, one way or another. Within the EU alone, poor air quality is estimated to account for about 400,000 premature deaths per year, at an annual cost for society of between EUR 250 billion and EUR 1,000 billion.

And the challenge is increasing. A growing population and rising standard of living are leading to more industrial production and potentially larger amounts of emissions and air pollution. The sources of emissions vary, but within many areas, industrial production is one of the most important.

Growth is not a limitation

Voices have been raised demanding what appears to be a simple solution: limit production, limit growth. But contrary to popular belief, economic growth is not automatically associated with a greater environmental impact. Statistics from the Swedish Environmental Protection Agency show that GDP in the EU region grew by almost 50 percent during a 20-year period up until 2010. Meanwhile, pollution dropped by about 60 percent. All while the population remained stable. The reason? Tougher requirements and more efficient solutions.



Source: The Swedish Environmental Protection Agency, 2019

Growth is something we should perceive as positive. A larger economy and increased profitability paired with tougher sustainability requirements from government agencies and consumers create the prerequisites for investments in more efficient production methods.

This is where Nederman comes in. A global, growing market with a common problem where we - with 75 years of experience, extensive product and application expertise, and a clear agenda for the future - can show the way to a sustainable future.



Industry does not need to contribute negatively

Our starting point is simple: industry does not need to contribute to more emissions. Today, we have access to the technical solutions needed to help our customers realise sustainable production. Much is built around capturing emissions at source, and then filtering, cleaning and recycling particles, gases, etc. before the purified air is released in the local environment. In this way, production is not only approved in accordance with all regulatory requirements. Increased recycling and decreased energy consumption also contribute to better production efficiency and greater profitability. There are solutions for new installations or upgrades of existing solutions (retro-fit) and the advantages are so great that there really is no reason not to take advantage of this offering, particularly given that rising consumer pressure that has emerged for sustainable products.

“Our customers help society to develop. We help through clean air solutions.”

Increased digitalisation means greater customer value

The key to the future is digitalisation. As in other areas of society, AI, cloud services, etc. are impacting everyday industrial operations. For Nederman, this is a challenge. But more than that, it is opening up completely new opportunities for development. Digitalisation of filters provides us with data. Data that is first used to measure and control operations, and then to optimise the solution to achieve the best performance and financial result. But there is also another aspect. For Nederman, data allows us to “know” what is needed and deliver a more precise solution already in the design phase of individual products or solutions. In other words, data gives us a competitive advantage, which is why we deliberately invest in launching new solutions before our competitors.

“The more connected filters there are, the better we become.”

Clear agenda for the future: Vision 2025

Another clear aspect of digitalisation is the potential for servicification, a central Industry 4.0 concept. It is clear that customers are looking for a greater supplier commitment. For Nederman, this is an opportunity to considerably increase the earning potential in every customer order. With “analogue” filters, our business is built largely on supplying new or upgraded filter solutions that generate non-recurring revenue as well as continuous sales of spare parts and

other service and maintenance. However, the aftermarket segment is exposed to tough competition from small, local service companies as well as from customers themselves that have their own service teams.

With digital filter solutions, we – and the customer – gain access to data that strengthens our position, both in relation to the customer but also in relation to our competitors. Based on our filtration knowledge, product base and available data, we will be able to offer the customer a subscription service in which we assume responsibility for filtration operations, guarantee compliance and more in accordance with predefined parameters. The customer receives an all-inclusive service solution and Nederman receives guaranteed revenue over an extended period.

Our vision is to be able to offer clean air as a service some time around 2025. On the basis of the Group's current customer base, the revenue potential for this is substantial.

“Environmental engineering is the next great Swedish export.”

Important milestones in 2019

- As already mentioned, 2019 was another record year for Nederman, financially but perhaps even more so in terms of development.
- **75 years** From the first unsteady steps in Helsingborg in 1944 to a world-leading position 75 years later. We had every reason to celebrate and to be proud.
- **All acquisitions fully integrated** Our high acquisition rate is placing extreme demands on the organisation. All divisions have done a great job, both in implementing the new global organisation and in developing the latest acquisitions which are now fully integrated into their respective division.
- **Our first digital products** During the year, development was completed of our digital filter series (SmartFilters) and myAir, our first premium digital service offering that is built on our Insight IoT platform and SmartFilters. Launch is under way.
- **New acquisitions** Acquisitions are, and will in all likelihood continue to be, a key component of our development. At the close of the year, we acquired the Finnish company Gasmet, which specialises in gas analysis. Gasmet adds new technology, a new customer base and a greater market presence.
- **Intensified sustainability agenda** Nederman will lead the development of sustainable solutions for industrial air filtration. This requires that we are also a leader in our own sustainability agenda. To this end, we carried out a number of new initiatives to advance our positions.

In summary: A strong position in a growing global market

As we wrap yet another year in the Company's 75-year history, we do so in a stronger position than we have ever had before. Strong brands, strong finances and strong development. We have every reason to call ourselves a product leader and market leader. During the year, we also launched a new initiative: Nederman Future Days. An initiative to stress that we are not content with what we are today. We also want to play a part in influencing the future. We want to assume a position as a thought leader in clean air and sustainable industrial development. It is precisely this quality – the desire to lead the way – that distinguishes a true leader. Nederman Future Days will be back in 2020, stronger and with more ideas.

“The Clean Air Company.
It can't be said any clearer.”

Outlook for 2020

Many of Nederman's markets, not least the US and China, and recently also Germany to a certain extent, are characterised by uncertainty, not least from the recent development of the corona virus. Trade conflicts and financial uncertainty mean that decisions on major investments are being prolonged and that large projects are often being postponed, resulting in considerable volatility in Nederman's orders received. Increasing signs of a general slowdown in the world economy have also been noted. Despite these challenges, Nederman's basic view is one of cautious optimism. Environmental issues will remain important for the Group's customers, which can be expected to soften the effects of a weaker economy to a certain degree, and the Group is continuing to strengthen its positions in several key areas where future growth will occur. In Europe and North America, the Group will build on Nederman's strengths as a leading environmental technology company. In regard to the developments in Asia, which are not aligned with the Group's ambitions, intensive efforts to reverse the trend will continue.

Our progress in 2019 was the result of a favourable economic trend and our own efforts. I am very proud of the hard, conscientious work of all my colleagues within the Group, but also of our resellers, suppliers and other business partners. It gives me reason to feel confident and the motivation to engage in new initiatives as we go forward. It is up to us to shape the future for clean air. We are The Clean Air Company.

Sven Kristensson
President and CEO

75 years in the service of clean air!

Our experience makes us the perfect partner for the future

Clean air begins with capturing and extracting poor-quality air. Here, and throughout the ensuing air filtration chain, Nederman's products make a decisive difference. Our product programme and our customer base provide us with probably the most complete foundation on which to build solutions.

Knowledge - our most valuable asset

It takes a long time to acquire knowledge and an understanding of the customers' problems. The mass of knowledge that has been handed down in Nederman's organisation is perhaps our most valuable asset. We know which parameters are decisive, we know which solutions work, and we know where the problems lie. No one else has the same knowledge base.



Nederman - always aware of the present, always with one eye on the future

From the very beginning in Helsingborg in 1944 to today's global corporation, Nederman has been a pioneer in the industry. Always focusing on clean air, and often the first to deliver solutions to meet the latest requirements. We celebrated our first 75 years as a company in 2019.



The Welder

Play ▶



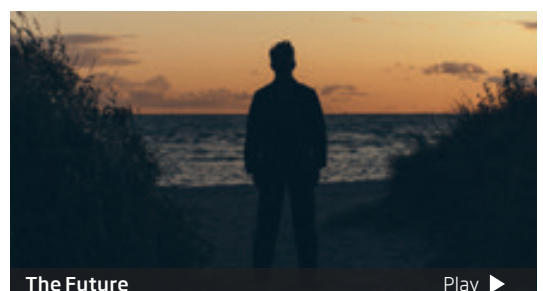
The Mechanic

Play ▶



The Technician

Play ▶



The Future

Play ▶

Four videos that reflect Nederman's work and the industry's development, from the 1950s to the future, are available at nedermangroup.com



A central idea: Clean air

Mission

TO SHAPE THE FUTURE FOR CLEAN AIR

Nederman's mission is an expression of our ambition to act as a company that in its words and actions strives to make one of our most important resources available to as many people as possible at a quality that is as good as possible. To accomplish this, we aim to collaborate with all of the stakeholders that can actively influence the situation - politicians and other decision-makers, scientists and lobbyists - while also developing new products and services that enable our customers to limit the effects of their production.

Vision

TO BE SEEN AS THE GLOBAL LEADER IN SOLUTIONS THAT PROTECT PEOPLE, PRODUCTION AND OUR PLANET FROM THE HARMFUL EFFECTS OF INDUSTRIAL PRODUCTION

Our vision is to be the most respected and successful developer of products and services for industrial air filtration. Industrial production is one of the most common sources of air pollution. Our task is to help industries to reduce their emissions and thereby reduce their impact on people, production and our planet. Along with our employees, our products enable us to build the trust and the relationships required to realise this vision.

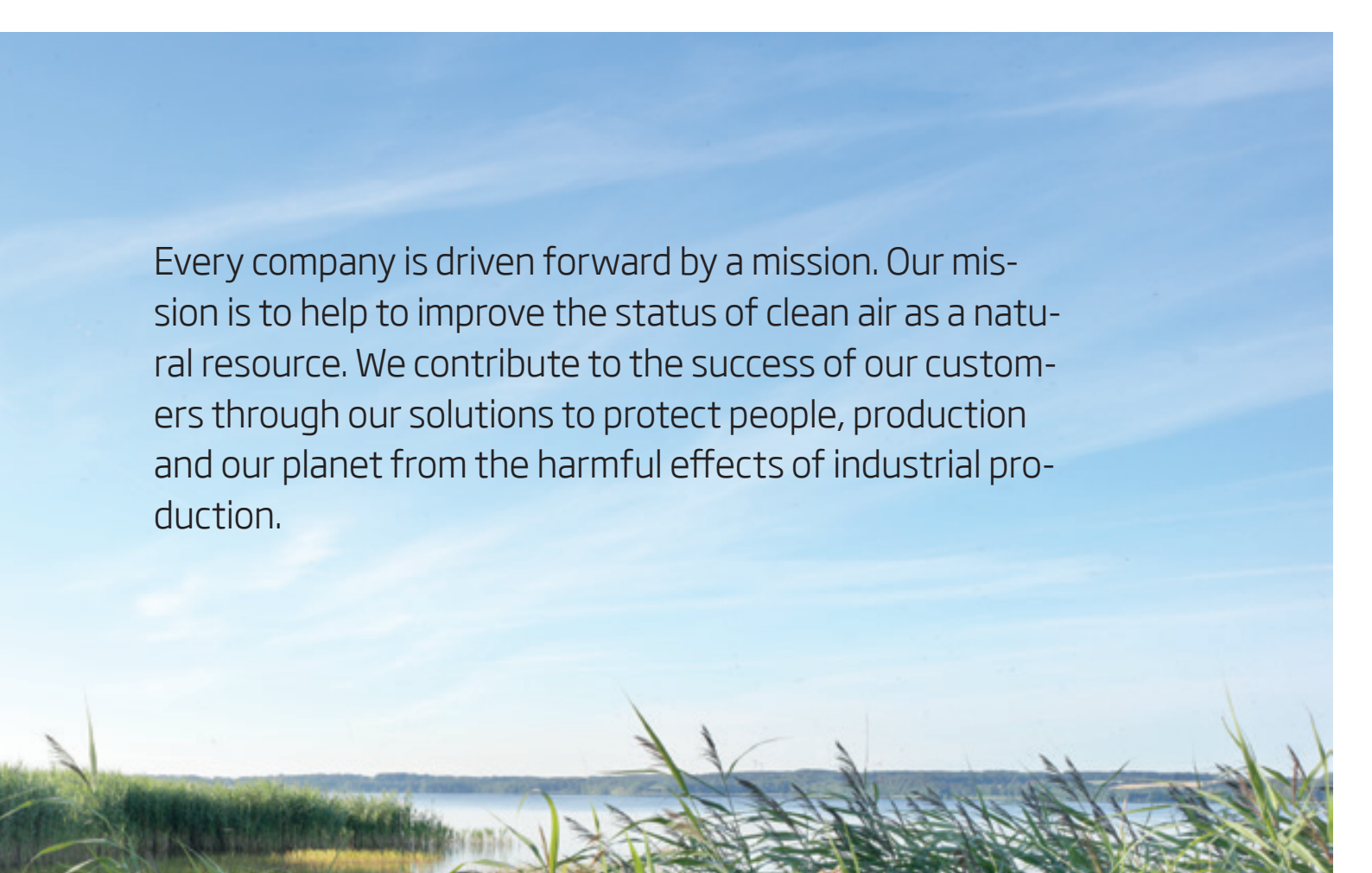
Code of Conduct

BUILDING TRUST IN OUR OPERATING ENVIRONMENT

The Group's joint Code of Conduct summarises the Company's policies related to social conditions, employees, human rights and corruption. All employees and business partners are required to comply with the Code. Both current employees and new recruits receive continuous training in the area. Nederman also has an internal process for reporting suspected violations of the Code, with every report investigated and

followed up through relevant measures. Nederman's Code of Conduct also requires that our suppliers run their operations in accordance with the Code. To this end, we make regular audits in line with an established method.

This report is a condensed version. More information is available at nedermangroup.com.



Every company is driven forward by a mission. Our mission is to help to improve the status of clean air as a natural resource. We contribute to the success of our customers through our solutions to protect people, production and our planet from the harmful effects of industrial production.

Ambitions

GUIDING OUR LONG-TERM EFFORTS

Our success relies on our ability to earn the respect of others. For this reason, it is paramount that we succeed in meeting their expectations at every level. Three areas stand out moving forward.

- **Sustainability as an integral part of the business.** Sustainability, both internally and externally, is a critical factor if the world is to continue to develop, if we as a company are to defend our business, and if we are to justify to our customers and other stakeholders why they should choose us as their long-term partner.
- **Utilise all the potential of digitalisation.** Digitalisation at every level is the basis for the ongoing industrial revolution. By leading developments within our own industry, we will be able to advance the industry-leading positions of all our brands.
- **Lasting profitability.** It is only with sufficient and lasting profitability that we can invest in products, people and acquisitions – and thereby secure our own development.

Values

BUILDING A STRONG CULTURE

Our values symbolise the spirit of the company we want to be. They are to guide us in our daily work, particularly in decision-making situations in which the course of action is not perfectly clear.

- **Profitable customer relationships** are about focusing on the customer's needs and developing solutions that add value, but also being clear that we too must be profitable if we are to remain a partner in the future.
- **Showing respect for the environment and each other** comes naturally for an environmental engineering company, but it also means that we must combat all forms of discrimination, show respect for the opinions of others and treat others in our operating environment as we want to be treated.
- **Courage and initiative** involve fostering open and honest communication, taking initiative and responsibility, encouraging new thinking and driving change.

Expertise for the entire cleaning process



Extraction/capture

The first step in the cleaning process involves the capture of fumes, dust and particles. Capture directly at source (for welding, for example), extraction to remove exhaust fumes (automotive workshops) or specially designed cowls for fumes and particles are a few examples.



Ducting

Ducting for the removal of captured air requires the right solution to prevent dust from building up in the system, resulting in reduced efficiency and lower productivity. The costs for wear and maintenance are important parameters.



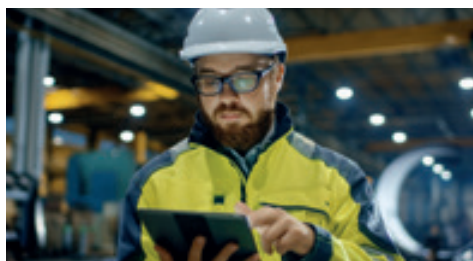
Filtration

The right choice of filters and filter media is a key factor in optimising filtration and the lifespan of the system. Small mobile solutions or large plants with several dust collectors in combination with the best choice of filter media.



Safety components

Products for the safe handling of, for example, combustible dust are a key competence for Nederman. Minimising the risks when handling hazardous waste and equipment to reduce the risk of accidents during installation and maintenance work.



System components and optimisation

The need to optimise performance, simplify operation, reduce energy consumption and extend maintenance intervals is increasing. Operating and service costs are a large part of the investment cost for an air filtration system.



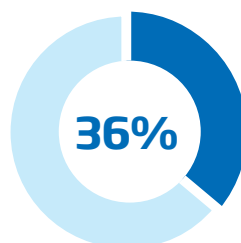
Measure and control

Digital solutions, based on the Nederman Insight IoT platform, make it possible to measure and steer the filtration system's capacity and performance during operation. Streamlines and optimises work levels, energy consumption, and more. Facilitates subscription services.

Nederman's sales model

Product sales

The basis of Nederman's business. A broad range of standard products that solve common problems related to smoke, gas, dust, material recycling, work environment and efficient production. Product sales are made primarily via distributors and resellers.

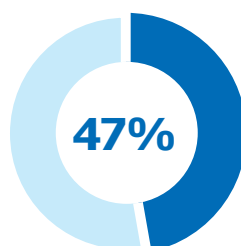


Share of Group sales
2019, %

Sales	
SEK 1,536m	2019
SEK 1,240m	2015
+ 6.0% annual growth (Ø)	

Solutions

Required to solve more complex tasks. Either individual standard products that are assembled together to form small and mid-sized systems or large-scale system solutions with a high element of customisation. Sales are always through Nederman's own sales organisation.

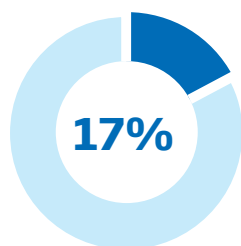


Share of Group sales
2019, %

Sales	
SEK 2,052m	2019
SEK 1,396m	2015
+ 11.7% annual growth (Ø)	

Service and aftermarket

Qualified service with a high availability aims to ensure continuous operation without costly interruptions in production. Includes technical service, contract service, spare parts and consumables. Service is provided by the Company's own service organisation or via authorised subcontractors.



Share of Group sales
2019, %

Sales	
SEK 720m	2019
SEK 562m	2015
+ 7.0% annual growth (Ø)	

Critical initiatives in the world – every day



Metalworking

Air pollution is a common problem in metalworking. The particles are hazardous for employees, but they also contaminate surfaces and damage electronic components. Recycling of cutting fluids, abrasives and metal shavings also drive demand for our solutions.

Need

- eliminate welding fumes and oil mist
- recycle waste products
- compliance with requirements and standards

Solution

- Capture welding fumes, oil mist and other particles directly at the source



Fibre-based industries

Textiles, wood and composite processing, pharmaceutical manufacturing and food processing are examples of industries that have strict hygiene and safety requirements. Unwanted particles affect product quality, are harmful to inhale and may pose a fire and explosion risk.

Need

- handle particles, fumes and gas
- separate waste products for recycling
- minimise the risk of fire and explosion

Solution

Equipment integrated into the customer's process to ensure efficient energy consumption



Process industries and energy production

The demand for metals and recycling is growing and increasing the need for air filtration in process industries and incineration plants. Foundries, smelters and different types of incineration plants are examples of operations where Nederman can offer solutions. These operations are highly energy-intensive and are usually run around the clock, demanding a high level of performance. Nederman takes complete responsibility for design, installation, commissioning and continuous service.

Need

- handle hot gases
- recycling in waste plants
- reduced energy consumption

Solution

System for continuous particle monitoring in air filtration processes



The automotive aftermarket

Automotive workshops, vehicle test centres and stations for emergency service vehicles are examples of operations that are required to handle toxic exhaust fumes from different types of vehicles. Nederman has long been a world leader in this segment, with a wide range of solutions for large and small workshops that build on taking care of the exhaust fume directly at source.

Need

- handling of vehicle gases
- ergonomics and safety
- streamlined handling of hoses and cables

Solution

Systems that capture vehicle exhaust fumes directly at the source of emission

Global organisation for continued development

Following a long period including several significant acquisitions, we decided to carry out a major reorganisation in 2018. The new organisation includes four global divisions with a continued focus on customer needs. Extraction & Filtration Technology focuses on capture; Process Technology works with advanced filter solutions; Duct & Filter Technology offers ducting, valves and filter elements; and Monitoring & Control Technology has digital solutions based on the Company's in-house designed IoT platform.

Acquisitions add necessary size

The Company's acquisitions are based on an active acquisition strategy aimed at providing Nederman with sufficient size to achieve the necessary economies of scale in product development, production and procurement. Between 2010 and 2019, the Group more than doubled its sales to today's level. In the future, acquisitions will also play an important role in the Group's continued development, not least when it comes to establishing and strengthening our positions in attractive market and product segments.

Better focus

The current organisation took effect in 2018 and is driven by simplicity and focus. The divisions are global and have their brands as their starting point. Market-driven product development utilising the potential of digitalisation is a priority. The divisions also aim to improve their organic growth. Overall, the new organisation means that the Group as a whole wins by eliminating overlapping responsibilities and reducing structure costs.

2007

Nederman is listed on Nasdaq Stockholm Small Cap.

2010

Acquisition of Dantherm Filtration which, in one stroke, doubles the Group's sales and kick starts an expansive phase of strategic acquisitions.

2011

Nederman surpasses SEK 2 billion in sales. The number of employees is almost 1,500.

2012

Environmental Filtration Technologies (EFT), with almost 400 employees, becomes part of the Nederman Group and opens the way to a growing US market.

2015

Nederman acquires Filtac. National Conveyors Company is also acquired during the year.

2017

NEO Monitors, involved in the development of gas measurement solutions, becomes the first cornerstone in Nederman's initiative to develop a digital offering.



Shared priorities

<p>INTERNAL AND EXTERNAL SUSTAINABILITY</p> <p>Sustainability in all processes is a critical factor if future generations are to be able to live a life in balance with nature.</p> <p>Nederman is a long-term player and assumes responsibility for sustainable development in the entire business and all value chains. This ambition covers social, financial and environment-related goals and is an important part of the Group's brand.</p>	<p>OPPORTUNITIES CREATED BY DIGITALISATION</p> <p>The ongoing digitalisation is virtually a revolution of opportunities to develop our offering. Not only our physical products, but perhaps most importantly our vital service and maintenance offering will need to be developed as we gradually transition from a product offering to a concept where the customer requests a functional commitment with guaranteed uptime and compliance with regulatory requirements.</p>	<p>IMPROVED EFFICIENCY</p> <p>Leveraging the economies of scales provided by the Group's size is an important component of our efficiency efforts. Digital investments, procurement and logistics are examples of areas where our size and organisation provide advantages. Nederman Operations System is a company-wide tool to ensure product quality and cost-efficient business activities. Increased digitalisation is a key factor here too.</p>	<p>IMPROVED PROFITABILITY</p> <p>Long-term financial returns are an element of sustainable growth as well as a prerequisite for realising other goals. The road to sustainable profitability is through quality, agility and flexibility in the production stage combined with leading R&D and efficient procurement. The digital offering is built on a Group-wide IoT platform that provides maximum economies of scale.</p>
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2018	2018	2018/2019	2019	2019	2019
Nederman acquires Auburn FilterSense. AFS develops continuous particle monitoring systems and enhances the Company's digital focus.	Luwa Air Engineering, a world leader in air filtration for the fibre and textile industries, adds further expertise and scale to the Process Technology division.	Implementation of a new organisation with a global focus.	A new platform for the Group's sustainability agenda is established. The platform emphasises that sustainability is an integral part of the Group's offering.	Nederman lays the foundation for the transition to a complete digital services offering with the launch of the market's first fully digital filter during the year.	Sales for the year bring Nederman's sales to more than SEK 4 billion for the first time. In less than ten years, the Group has tripled its sales.

Acquisition of Gasmet gives new insight

Monitoring and emission control of gases and particles in the local environment is subject to strict rules. In recent years, Nederman has built up an extensive product programme based on unique technologies. The latest addition to the family is the Finnish company Gasmet, which specialises in gas analysis. Acquired in 2019, Gasmet is part of the Monitoring & Control Technology division, along with NEO Monitors and Auburn FilterSense.

Gasmet is a technology company that develops, manufactures and markets gas analysers and monitoring systems for a variety of industrial, environmental and safety applications.

Like dust and particles, gas is common in industrial airflows. Gas is produced during, for example, the production of aluminium, cement and artificial fertilizer as well as waste incineration. Many gases are hazardous and are subject to strict emission standards. Carbon dioxide (CO₂), nitric oxide (NO_x), sulphur dioxide (SO₂) and hydrochloric acid (HCl) are examples of such gases. Also present are heavy metals such as mercury. These gases are not only toxic, but can also be combustible.

POWERFUL TECHNOLOGY

FTIR (Fourier Transform Infrared) spectroscopy is a powerful technology that can simultaneously measure up to 50 different gases in one flow. The ability to discover and measure basically all gases makes the technology suitable for many complex applications.

Gasmet's operations rest on its proprietary portable gas analyser, comprised of infrared scanning hardware connected to software for estimating gas traces. Since it was founded in 1993, Gasmet has delivered more than 4,000 portable units.

Gasmet also develops fully automatic stationary systems for continuous monitoring of hot, wet and corrosive gas streams.

The company also has a system specially designed to monitor mercury.

As with Nederman, service and the aftermarket are priority functions. The organisation covers some 70 markets with technical support and spare parts sales.

Examples of customer groups include energy production, waste incineration, and fire and rescue services as well as universities and research organisations.





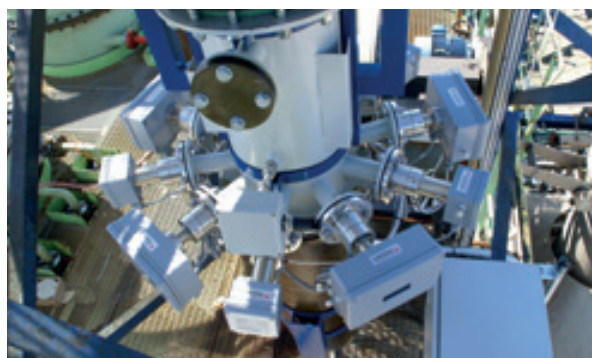
Gasmet in brief

- Headquartered in Helsinki, Finland
- Business activities in Germany, the UK, Canada, Hong Kong and Austria
- Sales of approximately EUR 23m (2019)
- Approximately 100 employees
- The market's largest portfolio of installations for FTIR gas analysis with some 4,000 units installed in about 80 markets
- Part of Nederman Monitoring & Control Technology since December 2019

Other Nederman technologies for gas and particle monitoring

NEO MONITORS

NEO Monitors' portfolio includes different solutions for the measurement of numerous gases. The solutions are based on laser technology, an area where the company has been a pioneer for several industrial applications. NEO Monitors was acquired in 2017.



AUBURN FILTERSENSE

Auburn FilterSense's (AFS) products and systems for continuous particle monitoring include sensors, control units, monitoring units, and detection and diagnostics software for increased process control, maintenance planning and compliance with regulatory requirements. The company was acquired in 2018 and is based in Boston in the US.



Financial objectives

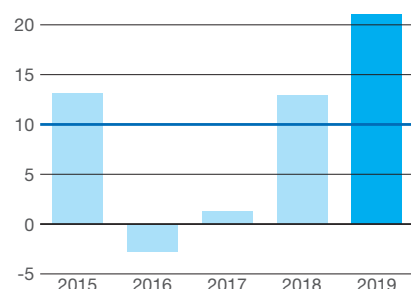
The background image shows a hand pointing at a tablet screen. The screen displays various financial data visualizations: a bar chart with an upward-trending arrow, a pie chart, and several percentage values (e.g., +3.42%, -0.51%, +0.85%, 1.00%, 1.68%, 1.03%, 4.16%, 15.90, 4.78, 2.95%, -0.38%, +3.77%, 1.54%, 4.8, 66.5, 16.9, 5.95, 2.02, 2.0). The overall theme is financial growth and analysis.

Continued growth and strengthened margin

The long-term work of developing the Group in line with our prioritised strategies is based largely on the fact that we are active in a mature industry with limited potential for organic growth. Acquisition-based growth is therefore paramount in achieving the size needed to realise economies of scale in the business.

In parallel with growth, the efficiency of the business, measured as the adjusted operating margin, is a vital parameter in managing the day-to-day operations of the operating units.

Sales growth, %



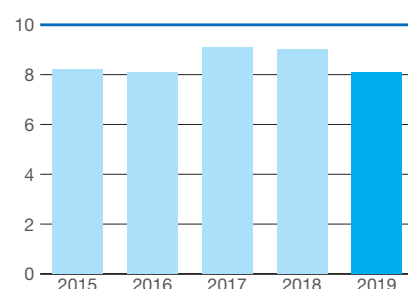
Group objective:

Annual sales growth over a business cycle is to amount to 10 percent.

Target realisation:

In 2019, sales growth amounted to 21 percent. Average growth during the last five-year period totalled 9 percent.

Adjusted operating margin, %*



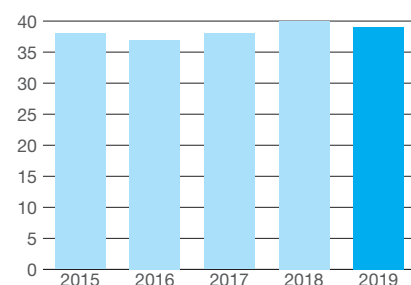
Group objective:

The adjusted operating margin is to be at least 10 percent.

Target realisation:

In 2019, the adjusted operating margin was 8.1 percent. The average for the last five-year period was 8.5 percent.

Dividend policy, percent of net profit after tax



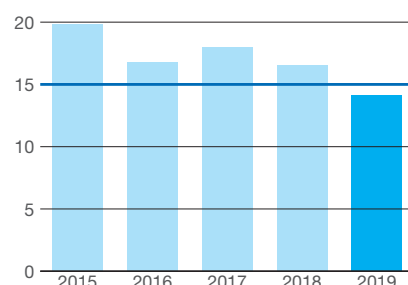
Group objective:

Dividends are to amount to between 30 and 50 percent of net profit after tax with consideration given to the capital structure and acquisition plans.

Target realisation:

For 2019, the dividend proposed by the Board amounted to 39 percent of net profit. The average for the last five-year period was 38 percent.

Return on operating capital, %*



Group objective:

The return on operating capital is to be at least 15 percent.

Target realisation:

In 2019, the return on operating capital was 14.1 percent. Average annual growth during the last five-year period was 16.9 percent.

*Nederman Group applies the retroactive approach in relation to IFRS 16 Leases and figures for 2018 are therefore restated pursuant to the new standard. For earlier financial years, IAS 17 Leases was applied in accordance with the accounting policies that applied through 2017. See also accounting policies on pages 93-98.

How we shape the future for clean air



In its State of Global Air report, HEI states that “Clean air is becoming a rare luxury: only 5% of the world’s population breathes clean air.”

These are of course alarming figures, but for Nederman, this signifies that our business is more important than ever and that the demand for solutions for efficient cleaning of air will continue.

This gives us the energy to make further investments in research, development and acquisitions in order to maintain our position as the world leader in our industry.

Nederman Future Days

In 2019, the first Nederman Future Days was held to shine the spotlight on the global problem of poor air quality and how Nederman can become an integrated part of the solution. The list of speakers was impressive. **Robert O’Keefe** from HEI spoke about air quality and health from a global perspective. **Connie Hedegaard**, former European Commissioner for Climate Action and Danish Minister for Climate and Energy, spoke about the next steps towards a more sustainable world and who must do what. **Anders Borg**, former Swedish Minister for Finance, described how digitalisation and globalisation will transform our economy and our future.



Robert O’Keefe



Connie Hedegaard



Anders Borg

Nederman Future Days will return in 2020. More information is available at nederman-futuredays.com. Videos of the year’s presentations can also be found on the website.


Global challenges drive our development agenda

In order for our society to continue to develop and evolve without having to forsake growth, we need to balance increased production with a greater consideration for our finite resources and demands for sustainable solutions.

Global perspective

Greater prosperity, in every sense of the word, demands that we weigh the environmental impact and use of society's finite resources in our economic models. The traditional measure of GDP must increasingly yield to, or be complemented with, other measures of prosperity that better take into account the environment, sustainability and social factors.

For Nederman's customers, this means that a growing population and greater prosperity will give rise to more consumption and, consequently, greater demand for higher production capacity. As a direct result of this, the air in and around the production environments will be negatively affected. Nederman's solutions aim to reduce these effects. Our development work is carried out on the basis of a few clear industrial and social drivers.



9.7
billion

Expected population in
2050, billion people
(today: 7.7 billion)

130%

How much the world's
collective GDP is expected
to increase between
2016 and 2050

65%

Share of people
considered middle class
in 2030 (today: 50%)

Sources: FN, Homi Kharas, Global Economy and Development at Brookings, PwC: The World in 2050.

ECONOMIC VOLATILITY

Macroeconomic trends no longer tend to be cyclical but are instead unpredictable. This will affect our customers' ability to plan investments and create long-term value.

ACCESS TO ENERGY

Changes in the energy mix being implemented in order to mitigate climate change will lead to price volatility in the market for fossil fuels. For a period of time, the transition to renewable energy sources may lead to an energy shortage for both Nederman's own business and for the Group's customers' operations.

TRUST AND INTEGRITY

Trust and integrity are relevant to every aspect of Nederman's business activities. The Company's ability to build sound and fruitful customer relationships and to attract, retain and develop talented and driven employees depends on the Company being transparent, honest and confidence-inspiring.

ACCESS TO CLEAN AIR

Access to clean air is a central part of Nederman's promise. This applies not least to growth markets, such as China, where questions regarding clean air can often be the trigger for local stakeholders' interest in sustainable operations.

URBANISATION

The ongoing urbanisation and constant expansion of cities means that production will rapidly be localised along with other activities and the tolerance for emissions will be even lower. A growing middle class is expected to lead to higher consumption, particularly in growth markets, which will impact both economic growth and access to resources.

AWARENESS

Consumers are showing a growing tendency to base their purchasing decisions on how various products have been produced. This increasing awareness affects both our customers and our relationships with local stakeholders. By extension, legislation may also be affected.

STRICTER LEGISLATION

There is evidence in several countries of emerging legislation in terms of CO₂ and other emissions into the air. Stricter legislation is also being introduced in such areas as human rights, anti-corruption and transparency.

A CONNECTED WORLD

Thanks to the internet's global communication capacity, events in one part of the world can have an immediate impact on how Nederman is perceived by all of the Company's stakeholders. Thanks to the emergence of connected products, all companies are able to gain a greater insight into how well their products function when used by customers. This will generate new opportunities and increase demands on transparency.



Our path to greater value creation

Expansion into new customer and market segments

A need for new types of solutions for clean air is arising as the industry evolves in terms of new production processes, materials, energy requirements, etc. Nederman's strategy is to continuously monitor, analyse and assess new areas of expansion. Since 2010, the Group's sales have grown from approximately SEK 1.7 billion to about SEK 4.3 billion in the 2019 financial year. Most of this growth was driven by acquisitions – acquisitions that have significantly broadened Nederman's customer offering through the addition of new customer and market segments.

Developed positions in the value chain

Nederman's strong position has historically rested on a broad offering of "analogue" products supplemented by a gradually growing need for system solutions, service, maintenance and spare parts. The ongoing digital revolution means that customers, to a greater extent, want a function- or outcome-based offering. For Nederman, this represents a business opportunity to considerably improve customer value in every delivery, thereby tying customers closer to us. In addition to product and service offerings, we are developing our organisation in terms of marketing, service and digital expertise.

The basis of Nederman's strategy is to generate value for our customers by supplying solutions for clean air that make their operations more efficient, profitable and sustainable.

Within the Group, we work with a broad product and service programme that targets a multitude of applications and market segments. We have comprehensive strategies in place in order to steer the organisation in its long-term development. These strategies are not to be viewed as a detailed action plan set for a specific time period.

We prioritise four areas in which we believe that further progress will generate the greatest benefit – for both Nederman and for our customers.



Development of new products and solutions

Continuous development and adaptation of the product range to meet new requirements in terms of energy consumption, maintenance costs and recycling of material is necessary if we are to maintain our strong positions and develop our brand. In recent years, Nederman has also prioritised the development of a completely new digital product portfolio.

Geographic expansion

Nederman is currently the market leader in EMEA, second-largest in the Americas, and one of the top five in APAC, the market expected to grow fastest in the future. Industrial production is markedly affected by the globalisation trend, and it is therefore important to have a presence in markets where we can expect an increase in industrial production. Acquisitions often mean that the Group gains new customer or market segments, but also a presence in new geographic markets. For example, the acquisition of Luwa in 2018 considerably strengthened our presence and brand in APAC. It is equally important to continuously develop business activities in existing markets by adding new or complementary sales offices, resellers and agents.



The digitalisation journey

For Nederman, digitalisation and connectivity form the basis for the development of our next-generation customer offering. Filtration of industrial airflows is gaining a new meaning with a focus on total commitment. And new business models.

New business models – Increased commitment – Facts in real time

Connectivity means that data can flow in every desired direction, and can be used to improve all parts of a process. In its most basic version, a sensor transmits data to a diagnostic tool – data, perhaps from an air purification filter in a process industry, which can then be used all the way back to the design phase, where it can form the basis for continued product development.

Digitalisation and connectivity improve flexibility and speed in the manufacturing industry worldwide. Industry 4.0 is about reliability, productivity, safety and ensuring profitability. Digital production makes it possible to connect all parts of the value chain and avoid the traditional silo mentality.

NEXT VALUE CREATOR IS EMERGING

Digitalisation makes it possible to control and optimise the industrial airflows with a high level of efficiency. But it is also giving rise to new business models for Nederman. When we can fully measure and control the customers' process, we can also package and offer operation, service and maintenance as an integrated service. This will enable us to offer our customers "clean air" as a subscription service. Our path forward has been mapped out and we have launched our first solutions.



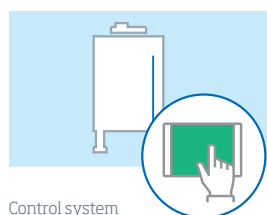
Digital drivers

- Analysis capability. Smarter production planning based on technical, financial and social parameters.
- Flexibility. The option to adapt to changing demand patterns.
- Streamlined distribution chain. Vast quantities of data make it possible to predict the need for a certain component as well as where and when it must be available.
- Servicification. Focus on delivering target realisation in a long-term commitment.

Vision 2025: Clean air as a service

Smart filter

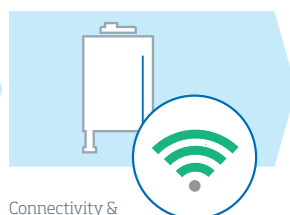
Product-based offering



Control system

Smart connected filter

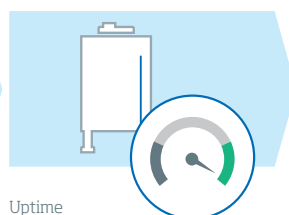
Solutions-based offering



Connectivity & Service commitment

Filtration as a service

Function-based offering



Uptime commitment

Clean air as a service

Outcomes-based offering



Compliance

The hub: Nederman Insight IoT platform

Insight is a cloud-based IoT platform specifically designed by Nederman for filtration systems. It offers real-time visualisation and monitoring of system performance, including customised dashboards, alerts and alarms. All data is securely stored and accessible online and in mobile devices. The platform enables the user to optimise the system's performance, plan maintenance better and generate filtration reports.

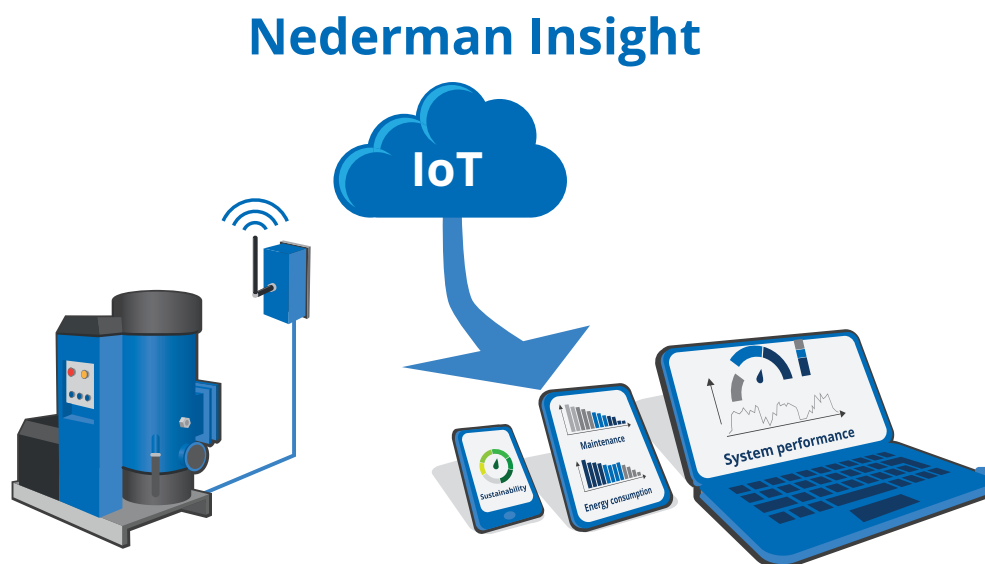
What Nederman Insight offers

REMOTE MONITORING:

- Control the filter remotely, either inside or outside the plant
- Access the filtration system at any time and from anywhere to make smart and informed decisions

PERFORMANCE OPTIMISATION:

- Historical filter data and trends help to improve performance
- Minimise the risk of unscheduled downtime



Sensors: Assembled throughout the system to monitor parameters and functionalities such as vacuum levels, EX safety components, temperatures, pressure drops, dust bin level and compressed air.

Communication kits: A gateway securely delivers data in real time to the Nederman Insight cloud so that the system can be monitored remotely.

Data storage: Operational data is securely stored in the cloud and is always accessible.

Dashboards: User-friendly visualisation of the system's performance.



Future-proofed SmartFilters



Insight ready, steady, go!

We launched our first SmartFilters in 2019. SmartFilters are based on our market-leading analogue filter solutions which are now supplemented with digital components. We call the solution “Insight ready”, with links to our Insight IoT platform. SmartFilters are the necessary first step in enabling a digital air filtration flow. As of 2020, all standardised Nederman filter solutions will be delivered Insight ready.

FILTER + NEDERMAN INSIGHT

- operation optimisation
- longer filter lifespan
- performance data
- reduces unscheduled maintenance
- better safety for staff and equipment
- energy efficiency

Our SmartFilters

MCP AND MEP SMARTFILTERS

MCP and MEP SmartFilters represent the latest solutions in industrial air from Nederman. The filters capture dust and fumes from welding and industrial processes. They are also designed for safe handling of combustible dust.

FLEXPAK INSIGHT

The market-leading, high-vacuum solution for handling welding fumes, dust, metal shavings, composites, etc. in many applications.

Others call it air purification. We call it myAir.

Control over the air flow with the market's first subscription offering.

Nederman myAir is a solution-based subscription service based on Nederman's SmartFilters and Insight IoT platform. As the name implies, we can now measure, analyse and optimise the filtration process and thereby enable customers to fully utilise and take responsibility for their air. myAir will be launched on a large scale in 2020.

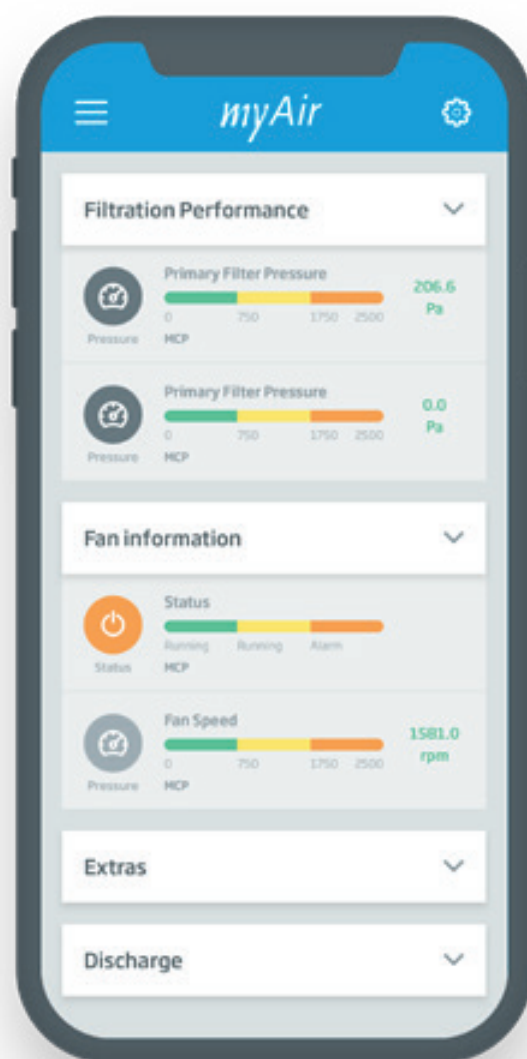
- Process data
- Operation optimisation
- All applications, all industries

MYAIR COMBINES

- **Filtration solution:** IoT-compatible filter solution with filters, pipe systems, fans, control units, control panels and accessories. The solution includes cloud-based software for filter analysis and alert functions, and facilitates remote monitoring and active problem solving.
- **Two levels of monitoring modules:** Perform and Perform Plus.
- **Service and support package:** Two versions depending on the customer's needs and technical solution – "On-site," in which Nederman is responsible for service activities on site, and "Online," in which Nederman offers a help desk service for proactive monitoring of the system based on real-time data.

Nederman myAir will be launched in 2020. The offering will initially include products and services supplied by the Extraction & Filtration Technology division under the Nederman brand. In a later phase, we will also launch a version of myAir based on the Process Technology division's range under the MikroPul and Luwa brands.

More information about Nederman's philosophy, products and solutions can be found in our Knowledge Centre at nederman.com



MikroPul-Assist optimises operation and minimises maintenance for Victaulic Drezdenkos

MikroPul-Assist is a service offering designed by Nederman's Process Technology division that combines remote monitoring with on-site maintenance service. One of the first deliveries was carried out in 2019 and went to the piping systems company Victaulic Drezdenko.



The Beijing Olympics Stadium and the Eiffel Tower are two of the famous projects that Victaulic Drezdenko helped to realise.

Victaulic Drezdenko is the world leader in solutions for mechanical piping applications. Its operations include design, development, manufacturing and service of solutions for ducting of advanced piping systems for the construction, shipbuilding, mining and process industries. The company is headquartered in Easton, Pennsylvania in the US, and has 13 manufacturing plants and some 3,000 employees worldwide.

Tough requirement specifications

Nederman has partnered with Victaulic Drezdenko in the past concerning solutions for advanced air filtration in their production plants. When Victaulic Drezdenko decided to expand its iron foundry in Poland, Nederman was the company's preferred filtration solution supplier. The operations are carried out using grinding products and the company has strict requirements in terms of a safe work environment and compliance with environmental rules.

Nederman's solution is built on extensive applications expertise and experience of foundry operations. Design and planning were carried out in close collaboration with the customer. The solution is based on six PLC-monitored MJB-G filters which Nederman customised to minimise on-site maintenance needs. The system's total cleaning capacity corresponds to 190,000 m³/h. The Process Technology and Extraction & Filtration Technology divisions collaborated on delivery, and operation is scheduled to begin during the first quarter of 2020.

MikroPul-Assist optimises operation

The plant is the first in which Nederman has installed MikroPul-Assist. MikroPul-Assist is a service package based on the Nederman Insight IoT platform that enables remote monitoring of operations in real time via built-in sensors and a cloud solution. Operating data is presented on mobile devices and provides the basis for informed decisions regarding operation optimisation and compliance with regulatory requirements. Service and maintenance are carried out by local technicians with a minimum of downtime.



Six PLC-controlled filters, specially designed to minimise the need for maintenance, are the hub in Nederman's solution.

Nederman optimises energy consumption for Scania.



MikroPul optimises energy consumption for Scania

Scania, a Swedish icon in heavy transport with many legendary models on its list of merits, is one of the leaders in the industry's transition to sustainable transport systems. Management of air emissions from the company's own production operations is one component of this transition, and Nederman MikroPul is an important partner.

The foundry in Södertälje, where it all once started, is undergoing a large-scale expansion. The goal is to triple production capacity. The requirement specification includes a reduction in energy consumption compared with the Group's existing plants plus an increase in the share of renewable energy.

Control of the industrial airflow is a key factor in realising the company's goals, and the choice fell to Nederman MikroPul's solution featuring six FS filtration units reinforced by heat exchangers. The FS filters are energy efficient and simultaneously guarantee a good work environment and emissions control. Heat exchangers installed throughout the plant recover warm surplus air and transfer it back to the process, resulting in optimal energy use.

The plant is under construction and will be delivered during the third quarter of 2020.

Sustainability

Intensified efforts result in significant progress

Sustainable development and production are natural elements of Nederman's business activities. Although the greatest environmental impact stems from our customers when they use our air filtration solutions during extended operations, it is essential that we can show tangible progress in our own business. In 2019, we revised our sustainability strategy and expanded the targets and key figures. For the first time, we are now reporting our climate emissions in accordance with the Science Based Targets initiative (SBTi).

Milestones in 2019

- Revised sustainability strategy
- Climate impact report in accordance with Scope 1-3
- Expanded commitments and targets

The sustainability report that follows on pages 44-59 is a summary of the most important elements. For a complete report, refer to the Sustainability section on our website, nedermangroup.com.

“We view sustainability and climate commitment as business critical, both for our customers and for us. Being an industry leader gives us a definite competitive advantage and we want to be able to present tangible figures for the results that we achieve.”

Sven Kristensson, President and CEO



Responsible business

Nederman's sustainability agenda is built on responsible business, high transparency and sound business ethics. It is vital that we continuously improve our products' environmental performance and minimise the negative impact of our own business activities. Through resource-efficient production and innovative clean air solutions, we contribute to creating growth and value for all stakeholders throughout the entire value chain.

Sustainable value creation

The UN Sustainable Development Goals (SDGs) form the framework for our efforts to meet future financial, social and environmental challenges. Nederman can help to achieve many of the SDGs with the help of our products and solutions. The benefits and value offered by Nederman's solutions are created in cooperation with the customers and enable them to reduce their climate burden and achieve set sustainability goals. Innovations based on digital technology provide us with more opportunities to measure and steer the customer's air filtration process, resulting in substantial resource efficiency enhancements.

Our views on sustainable development

Based on our business concept, Nederman has a long tradition of responsible business. Our philosophy is to strive for constant improvements that can be measured over time.

In 2019, a new strategy for the Group's sustainability agenda was prepared. The strategy is for the 2020–2022 period and is an extension of the previous model that applied for the 2013–2020 period.

Nederman's promise – to protect people, our planet and production – is the foundation of our sustainability agenda. The objective is to minimise negative social, environmental and financial effects of industrial production within our own business activities as well as those of our stakeholders, focusing on those areas where we can do most good.

The strategy covers four focus areas:

- Production efficiency (financial sustainability)
- Compliance with laws (financial sustainability)
- Health and safety (social sustainability)
- Lower environmental impact (environmental sustainability)

There are commitments and targets affiliated with each area that aim to either maximise the business activities' positive effects or minimise the negative. The overall targets for the 2020–2022 period are to:

- Halve the Group's carbon dioxide emissions
- Reduce our customers' environmental impact
- Improve and streamline the Group's core processes, including those that are customer related

Updated performance measures

As a result of the process of revising the sustainability strategy during the past year, we have also introduced new performance measures that apply for all divisions. We also updated the relevant methods and ownership in order to measure and assess process performance, ensure reliable results, share best practice and identify improvement needs.

We protect people, our planet and production.

Sustainability strategy 2020–2022

The UN Sustainable Development Goals



Financial, social and environmental consideration

Nederman's focus areas

Financial sustainability

Production efficiency

- Quality faults
- Management systems

Compliance with laws

- Prevention of corruption
- Human rights, child and forced labour
- General and environmental compliance
- Customers
- Suppliers

Social sustainability

Health and safety

- Good health
- Safe workplaces
- Equal opportunities and diversity
- Local community development

Environmental sustainability

Lower environmental impact

- Energy and climate
- Carbon dioxide
- Product development
- Waste
- Products and solutions in the usage phase

Nederman's goals

Performance goals

Halve the Group's carbon dioxide emissions

Strategy goals

Reduce our customers' environmental impact

Development goals

Improve and streamline the Group's core processes

Sustainability as part of the Group's governance model

As part of our overall governance model, sustainability constitutes an integral part of the Group's strategy and business processes. These processes apply to all divisions and customer offerings, and are aimed at long-term value creation for all our stakeholders.

During the year, the governance model and meeting structure have been reinforced with an additional decision-making forum (boards) in priority areas, which are the basis for ensuring the operations are governed and run correctly, efficiently and ethically.

The governance model provides a base from which to develop and cement the Group's strategies, goals and plans. By including sustainability issues in the governance model, we ensure that these issues are integrated into all significant decisions within our operations.

Leadership with a focus on process governance, communication and training is an important factor when it comes to improving knowledge and achieving expected results in the area of sustainability, both internally and externally.

Shared approach

A global management system provides us with a shared approach and a consistent global application of how we conduct our business activities. In addition to business processes, there are a number of comprehensive policy documents – such as Nederman's Code of Conduct – and documents that provide guidance on matters that concern the environment, social responsibility and business ethics.

Long-term goals and performance measures are defined for every division and are part of the business plan for each division. Group management is responsible for follow-up and development based on the Group's governance model. Supplementary internal controls are carried out to assess business processes and policies in order to ensure that our business activities are conducted according to the guidelines.

Data collection and reporting

The internal collection of data is mandatory for all production units and is primarily carried out through quarterly reports and reviews.

Sustainability reporting based on environmental certification (ISO 14001) and quality certification (ISO 9001) is carried out in the same system as the financial reporting.

External reports on our sustainability efforts are published via nedermangroup.com, where developments are regularly updated. Condensed reporting is also performed in conjunction with the annual report and interim reports.

Agenda 2030 – The UN Sustainable Development Goals



Within the framework of Agenda 2030, the UN presented its Sustainable Development Goals in 2015. The 17 SDGs provide a clear and applicable framework for meeting global challenges and have had a major impact on society.

At the same time, they are an invitation to sustainable innovations and business opportunities. Private and public organisations have an important role to play, and the business community is expected to contribute through responsible business, transparent reporting of its own goals and results, and the development of products and solutions for customers that contribute to sustainable development.

The SDGs have provided support for Nederman as we identified areas within sustainable development that are clearly

linked to our business activities and where we can play an active part. Based on the SDGs, we see the potential to reduce our environmental impact and to create business opportunities.

The goals we identified as relevant are SDGs 3, 5, 7, 8, 9, 12, 13, 16 and 17.

An important starting point in achieving the goals is to minimise Nederman's use of resources. We do so by working with innovations, efficiency enhancements, investments in new technology and increased use of renewable energy. The SDGs also inspire measures within social responsibility, community involvement and business ethics.

Knowledgeable and dedicated employees who deliver in their roles

Every successful company is built on the same foundation – talented employees who drive the business forward every day. Nederman is no exception, and the rapid progress that the Group is experiencing through digitalisation, globalisation and frequent acquisitions is placing demands on an employee culture to attract, retain and develop people who deliver when it comes to commitment and performance.



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ON ROUTE TO A COMMON VISION

Imagine a world without clean air. That is the easiest way to understand the importance of what we do on a daily basis – in our development departments, production plants and service organisations. Working for a company that has a vision that is not based solely on financial goals is a deciding factor for many employees. Being part of building a future characterised by the vision of clean air requires conscientious and consistent work based on shared values. Profitable customer focus, respect for the environment and each other, and having the courage to act are core values that serve as a foundation as we build The Clean Air Company.

VALUES THAT UNITE US

- Profitable customer focus
- Respect for the environment and each other
- The courage to act

DEDICATED EMPLOYEES LEAD TO IMPROVED CUSTOMER SATISFACTION AND PROFITABILITY

Strong dedication among our employees is vital if Nederman is to develop and improve. Dedication results in customer satisfaction and profitability, and is built on an open and honest dialogue between the Company and its employees.

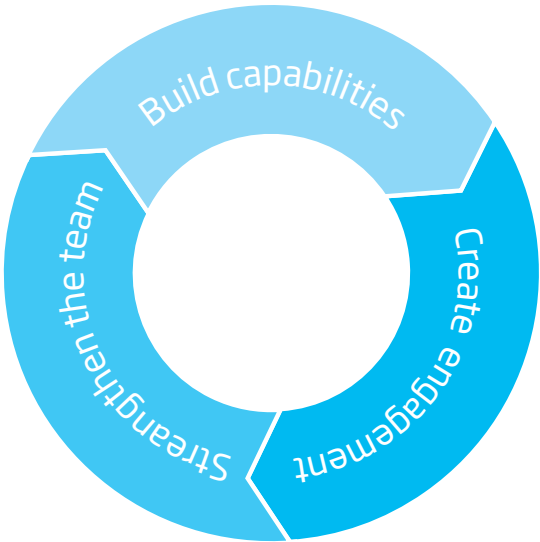


It is fundamental for Nederman to cultivate a sound psychosocial work environment with a well-functioning team where employees who are seen and heard grow and develop.

Based on a shared culture, and with supportive leadership, our objective is to cultivate individual dedication in every employee, and make everyone feel that they are ambassadors for the Company. Good relationships between the Company and its employees generate better conditions for Nederman to successfully attract the talent needed to further develop the Company.

HOW WE BUILD THE CULTURE OF THE CLEAN AIR COMPANY

Proud and talented employees who deliver in their roles. This is the vision for the Group's HR agenda and it permeates our efforts related to our corporate culture, employer branding, leadership and recruitment. Our success is dependent on clear roles and conditions for each employee so that they are able to perform and deliver in their respective roles. HR's task is to cultivate these conditions. To reinforce these efforts, the previous strategy for the 2020–2022 period was further developed. The strategy covers guidelines for governance, management, systems/tools and KPIs.



NEW TOOLS FOR IMPROVED EFFICIENCY

nGage and myLearning are new digital tools that were introduced in 2019 with the aim of promoting engagement and strategic skills development, supporting managers and supervisors, and streamlining administration and follow-up. Nederman currently has about 2,400 employees who represent many different cultures from around the world. This places significant demands on speed, simplicity and transparency. HR tools that are user friendly and engaging, with a modern look and feel, and adapted for use on all digital platforms increase usage. Support for managers in their work related to results, action plans and follow-up has also guided the choice of new platform tools.

MYLEARNING - SKILLS DEVELOPMENT WITH POWERFUL MANAGER SUPPORT

myLearning, a learning management platform for continuous skills development within the Group, was introduced during the year. The system contains powerful manager support and even provides the option of role-based training. myLearning is designed for all digital environments, and makes it possible, for example, to quickly integrate new

employees in conjunction with acquisitions. One example is Gasmet, where all employees attended a compulsory introduction course within one month from the date of acquisition. Courses in compliance with regulatory requirements are also carried out in myLearning. All new employees receive an invitation to the compulsory courses in the mail when they start work. Once fully implemented, the programme will also include Nederman's partner and distribution network.

PROCESS TECHNOLOGY ACADEMY

In 2019, the Process Technology division started a new case-based training programme for skills development with a commercial focus called the Process Technology Academy. The training is primarily targeted at employees in sales-oriented positions and covers, among other topics, training in market analysis, segmentation and value-based customer offerings. It covers all markets, and some 20 employees completed the training in 2019. To make it possible for employees from the different countries within the division to participate, the programme is fully digital and includes webinars and Skype meetings.

Engagement
Index
Benchmark Industry 75

Nederman Group

82



nGage - increased employee engagement

Nederman's annual employee satisfaction survey measures the overall engagement and satisfaction of our employees in a simple and quick manner. The survey has been carried out since 2013 and is currently offered to all employees.

In 2019, 79 percent of all Group employees responded to the survey. The overall Engagement Index was 82 (on a scale of 1 to 100), which is higher than the corresponding index for the comparison groups Global Benchmark and Industry. Other indexes also revealed better results for Nederman than for the comparison groups.



	31 Dec 2019	31 Dec 2018
Number of employees	2,370	2,305
Of whom, consultants and hourly paid employees	199	260

Compulsory courses

Compliance with regulatory requirements

- Code of Conduct
- Anti-corruption, anti-trust, anti-fraud
- GDPR (for Europe)
- Policy for export controls and sanctions (new 2019)
- IT security (to be launched in 2020)

Global introduction

- Core values
- You@Nederman
- Sustainability@Nederman (launched in 2020)



Climate report in accordance with Science Based Targets

SCIENCE BASED TARGETS

The Science Based Targets initiative is a partnership between CDP, the UN Global Compact, the World Resources Institute, WWF and other organisations. Its aim is to show companies how to conduct their business activities to prevent global warming in excess of 2 degrees Celsius in accordance with the 2015 Paris Climate Agreement.

NEDERMAN'S COMMITMENT

- **Scope 1 and 2:** Reduce our direct climate impact related to energy use and purchased electricity for the Group's own manufacturing units.
- **Scope 3:** Reduce our indirect climate impact related to emissions from suppliers, business travel and customer solutions pertaining to materials, components, goods transports and waste management.

STARTING LEVELS AND TARGETS

Nederman aims to reduce the Group's Scope 1 and 2 climate impact by 20 percent by 2020 and by a total of 50 percent by 2022. The starting level is based on emissions in 2014.

REPORTING AND METHOD DEVELOPMENT

Data on energy and related greenhouse gas emissions is reported and followed up quarterly by Nederman's Group management. Condensed reporting is also performed in conjunction with the annual report and interim reports and is available on the Group's website.

Methods for following up and reporting on Scope 3 are continuously being developed. The focus is on defining performance measures to measure the effects of our products and solutions when used by customers and following up on our suppliers' emissions.

BASIS FOR CALCULATION OF SCOPE 1 AND 2

To calculate Scope 1 and 2 emissions, a market-based method (pursuant to the GHG Protocol, 2015) is used wherever possible. Comparative data is not adjusted for acquisitions.

Reports are presented in CO₂ equivalents (CO₂e). The reported data for Scope 1 is based on energy use and related emission factors. Generally accepted country and region-specific emission factors are used in the calculation of Scope 2 emission data. These factors reflect each country's average energy mix: sun, wind and hydro-power generate lower emissions, while higher use of fossil fuel, such as coal and oil, generates higher emissions. District cooling is not currently included in the reporting of greenhouse gas emissions, since its impact on the total carbon footprint is regarded as insignificant.

BASIS FOR CALCULATION OF SCOPE 3

A general analysis of Scope 3 emissions along Nederman's value chain indicates that the sourcing of materials and components comprises the single largest emissions category. This is followed by purchased goods transports, business travel and waste.

The analysis is based on the Group's own estimates and not on data from suppliers. The margins for error are significant and the Group's Scope 3 emissions reporting is therefore limited to carbon dioxide emissions from goods transports and waste.

CLIMATE IMPACT IN 2019 IN ACCORDANCE WITH SCIENCE BASED TARGETS

Emissions to air, tonnes	Outcome 2019	Outcome 2018	Outcome 2017
CO ₂ -e Scope 1 ¹	810	571	560
CO ₂ -e Scope 2 ²	5,023	5,054	5,106
CO ₂ -e Scope 3 ³	8,252 ⁴	7,027 ⁴	6,709 ⁴
Emissions, Scope 1+2	5,833	5,625	5,666

- 1 Scope 1: Total greenhouse gas emissions from fuel combustion in manufacturing, tonnes
- 2 Scope 2: Total greenhouse gas emissions from purchased electricity in manufacturing, tonnes
- 3 Scope 3: Greenhouse gas emissions from sources not owned or controlled by Nederman, tonnes
- 4 For Scope 3 emissions, carbon dioxide emissions from goods transports and waste are reported. This is only part of Nederman's Scope 3 emissions. A significant share of the emissions comes from materials. These emissions cannot currently be reported due to difficulties in collecting exact data.

ENERGY INTENSITY

MWh/SEK billion	2019	2018	2017
Total energy use (MWh)	14,870	14,694	14,948
Sales, net sales (SEK billion)	1,489	1,438	1 398
Energy intensity (kWh/SEK billion x 1,000)	9.99	10.22	10.69

BASIS FOR CALCULATION

Pertains to all of the Group's energy-generating emissions in accordance with Scope 1 and 2 in relation to net sales. Comparative data is not adjusted for acquisitions.

Performance measures for sustainable development

In 2019, the strategy for the Group's continued sustainability efforts underwent an extensive review and revision. The new sustainability strategy covers the period 2020-2022 and will therefore overlap with the reporting of the earlier strategy, which applied up until the end of 2020. Goals and goal realisation for both periods are presented on the following pages.

Global perspective

The Group has applied the UN Sustainable Development Goals (SDGs) and the Ten Principles for Sustainable Development in the UN Global Compact since 2015. The results are presented in accordance with the Global Reporting Initiative (GRI*). Furthermore, reporting of the climate agenda is adapted to the regulatory framework for sustainability reporting in accordance with the Swedish Annual Accounts Act (Chapter 6, Section 12).

*The comprehensive GRI Index, with reference to the UN Global Compact, is available at nedermangroup.com

External audit

EY has reviewed and verified the Sustainability Report, focusing on the most material areas. Read their Assurance Report on page 144. All production units, apart from three from the most recent acquisitions, are certified in accordance with the ISO 14001 environmental management standard. All production units, apart from one, are certified in accordance with the ISO 9001 quality management standard.

The complete Sustainability Report is available at nederman-group.com

Nederman's sustainability goals 2013-2020

Energy consumption

-20%

Goal: Reduce energy consumption in production by 20 percent by 2020 compared with 2013.

Outcome: The accumulated reduction of energy consumption in 2014-2019 was 20.5 percent.

Carbon dioxide emissions

-20%

Goal: Reduce carbon dioxide emissions from air transport of goods by 20 percent by 2020 compared with 2014.

Outcome: The accumulated reduction of carbon dioxide emissions was 16.8 percent.

Code of Conduct

100%

Goal: 100 percent of the Company's external suppliers will comply with Nederman's Code of Conduct for suppliers by 2020.

Outcome: At the end of 2019, the figure was 93 percent.

Recycling

95%

Goal: Achieve 95 percent recycling of waste in production by 2020.

Outcome: At the end of 2019, recycling amounted to 92.1 percent.

Production efficiency

AGENDA 2030.



Nederman strives to use all resources more efficiently. We work actively to maximise the positive impact and minimise the negative impact throughout the value chain. In order to pursue changes where they make the most difference, collaboration with business partners and other stakeholders is paramount.

QUALITY PROBLEMS

Goal: More efficient use of resources. Costs related to quality problems in production, in relation to sales, compared with 2013 are to be <0.3% in 2020.

Outcome: In 2019, the value was 0.35% (compared with 0.39 in 2018). The negative trend since 2016 has been broken.

Next step: Failure to realise the goal has a negative impact on other sustainability goals due to such factors as increased electricity consumption as a result of reworking, increased carbon dioxide emissions from air transport to correct the error and delayed delivery times. Increased resource efficiency is therefore a priority.

MANAGEMENT SYSTEM

Goal: All production units, and the parent company, are to have a management system that is certified according to ISO 9001 and ISO 14001. Acquired companies are to be certified within a two-year period.

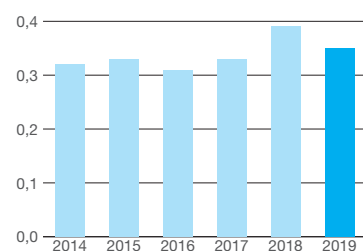
Outcome: At the end of 2019, all production units were certified according to ISO 9001 except one (total 15 of 16, including acquisitions), and 13 of 16 units were certified according to ISO 14001. Furthermore, the parent company and a sales company were certified according to ISO 9001 and ISO 14001. All processes were assessed and modified in 2019 based on the new organisation. Over the past year, shared performance measures for all divisions were updated with the relevant methods and ownership in order to measure and assess process performance, ensure reliable results, share best practice and identify improvement needs.

Next step: Yet another sales company and its related manufacturing operations and warehouse will undergo certification in 2020. The remaining production units are working on achieving certification.

Quality failure costs

Quality failure costs in production in relation to turnover, %

Objective 2020: 0,30 %



Compliance with laws

AGENDA 2030



Nederman's business principles are characterised by integrity, responsibility and sound ethics – fundamental principles that we share with our suppliers, customers and other stakeholders. The prevention of corruption is a top priority. The UN Global Compact serves as an ethical compass that provides support to the employees and generates business benefits in interactions with customers and other stakeholders.

Goal: Nederman has zero tolerance for bribery, corruption, cartels or other criminal conduct, and actively provides information to the employees and training programmes for all sales and purchasing staff as well as managers.

Outcome: Zero (zero) cases of significant violations of laws and agreements that have led to legal action or fines were reported in 2019. A few reports were received in 2019 concerning suspected breaches of the Code of Conduct. Each report has been carefully investigated to discover any possible shortcomings in compliance and has been followed up with relevant and proportional measures.

The Group's whistleblower system was revised and reinforced during the year, enabling every employee, customer, partner and supplier to report suspicions of legal or judicial violations.

Next step: Within the Group, companies, management and employees will collaborate on measures to prevent corruption. Recurring training programmes, information and discussions are vital tools in these efforts, particularly with regard to the whistleblower system.

HUMAN RIGHTS, CHILD LABOUR AND FORCED LABOUR

Goal: No violations of human rights, discrimination or forced labour will be tolerated. The right to freedom of association, trade union representation or other personnel representation as well as collective bargaining in accordance with the Code of Conduct is clear, and Nederman actively provides information to employees and new recruits.

Outcome: During the year, employees participated in training programmes with a particular focus on new recruits. Continuous efforts including preventative training of both managers and employees, to prevent discrimination are carried out. Preventive training of both managers and employees. Zero (zero) cases of child labour or forced labour were reported. No units have been deemed to be at serious risk of violating the right of association. However, there are certain legal limitations to the right of association in China.

Next step: Realising our "zero vision" in terms of offensive discrimination requires ongoing training, information and discussions. Access to the necessary communication channels, such as a whistleblower system, when the need arises.

GENERAL AND ENVIRONMENTAL COMPLIANCE

Goal: Ensure good governance in terms of general compliance to prevent legal sanctions or fines.

Outcome: Zero (zero) cases of significant violations of laws and permits, including environmental compliance, that have led to legal sanctions were reported in 2019.

Next step: Nederman's success relies on its ability to conduct legitimate business in accordance with applicable laws. Local governance follows the Code of Conduct and local legislation.

CUSTOMERS

Goal: Customer requirements and social responsibility are to be satisfied by a healthy margin.

Outcome: A large portion of Nederman's customers have detailed requirements concerning sustainable development. During the year, assessments and audits were carried out at sales companies, among other places. None of these assessments and audits have prevented the customers from doing business with Nederman.

Next step: Increased initiatives in sustainable development to improve customer value.

SUPPLIERS

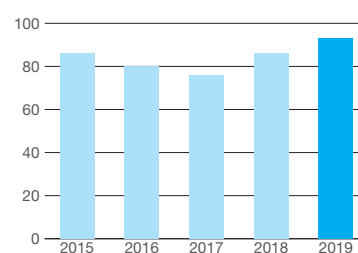
Goal: Work only with suppliers that ascribe to the applicable sections of Nederman's Code of Conduct for Suppliers (100 percent in 2020).

Outcome: At the close of 2019, the share of suppliers that have ascribed to Nederman's Code of Conduct for Suppliers was 93 percent (compared with 86 percent in 2018). Suppliers' compliance with this requirement is checked through audits and other measures. Some 56 (50) supplier audits were carried out in 2019. During the year, Nederman's Code of Conduct has been evaluated and strengthened.

Next step: Develop methods to assess suppliers' sustainability efforts in order to promote accountability in the value chain.

Code of Conduct in the supply chain

Share of external suppliers that has signed Nederman's Code of Conduct for suppliers, %
Objective 2020: 100 %



Health and safety

AGENDA 2030



Nederman's Code of Conduct is adopted by all companies in the Group and the values contribute to attracting, retaining and developing dedicated and skilled employees. The long-term goals for social responsibility cover measures that contribute to a sound and safe work environment, employee training and respect for human rights. Community involvement is gradually expanding in the countries where the Group operates.

GOOD HEALTH

Goal: The goal for absence due to illness is set at <2.5 percent.

Outcome: Statistics pertaining to absence due to illness indicate a positive trend since 2017, even when taking acquisitions into account. At the end of 2019, the rate of absence due to illness averaged 1.6 percent - well below our goal, in other words.

Next step: Knowledgeable and dedicated employees who deliver in their roles are vital to Nederman's success. Initiatives are focused on helping our employees to be healthy, motivated and feel satisfied in their respective roles.

SAFE WORKPLACES

Goal: The number of workplace accidents is to be minimised and we have a "zero vision" in this area. All units are to have functioning systems for reporting and addressing accidents and incidents.

Outcome: From an industrial perspective, our accident frequency rate is low. In 2019, there were 38 accidents, none of which had a fatal outcome or resulted in lifelong injuries.

Next step: Realising our "zero vision" requires constant technical and organisational initiatives.

EQUAL OPPORTUNITIES AND DIVERSITY

Goal: Nederman strives to achieve a balanced mix of ages, ethnicities and genders within the Group. The goal is to increase the share of women at all levels in the Group.

Outcome: The share of women in the organisation as a whole is 20 percent (20). In a technical sector like the one in which we operate, it is a challenge to realise the goal of increasing the share of women.

The share of women on the Board is 33 percent (33), and the share of women in Group management is 12 percent (12). The recruitment of women managers remains a key issue for Nederman.

Next step: Management and HR will collaborate on measures locally and centrally in the Group companies.

LOCAL COMMUNITY DEVELOPMENT

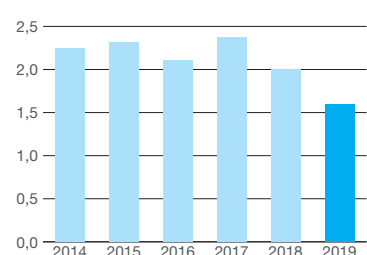
Goal: The ambition is to contribute to vocational introductions by arranging thesis work and internships as well as initiating and participating in local networks and discussion forums.

Outcome: During the year, we collaborated with various universities on topics such as an analysis of Nederman's internal sustainability communications, and with the Chamber of Commerce and Industry of Southern Sweden on targeted projects and activities.

Next step: Nederman's business activities concern and affect many people, sometimes entire local communities. Our ambition is to contribute to the local business community, social initiatives and the development of solutions for health and sustainable development for more people.

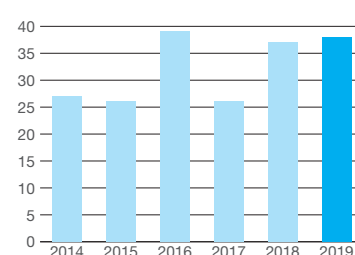
Sick leave, %

Sick leave resulting in at least one day's absence from work
Objective: <2.5%



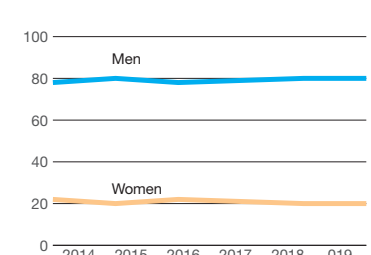
Accidents

Number of accidents resulting in at least one day of sick leave
Objective: 0 (zero)



Equality

Share of women and men in the organisation, %
The objective is to increase the number of women at all levels in the company



Lower environmental impact

AGENDA 2030



Climate change affects Nederman in several ways, and the transition to a society with a lower carbon footprint creates risks but also opportunities for the Group. By increasing our energy efficiency and phasing out fossil fuels, we are reducing our own carbon footprint. These measures will also prepare us for potentially higher fees and taxes on activities that have a climate impact. Digitalisation and innovation are priority areas where Nederman can contribute to our customers' climate and environment agendas.

ENERGY AND CLIMATE

Goal: More efficient energy use, enabling consumption to decline by 20 percent by 2020, compared with the average for 2013. The Group-wide performance measure is kWh/net sales, and the production units work with locally adapted goals and performance measures. All production units must present an activity plan for reduced energy consumption.

Outcome: The accumulated reduction between 2014 and 2019 was just over 20 percent. In other words, already on par with the goal. The installation of a solar cell system on one of the production units (an application has been filed for yet another) is one example of an activity intended to further enhance efficiency.

Next step: Energy mapping and tangible investments are planned at more units. Focus on switchover, the share of renewable energy is expected to increase from 2020 and onwards.

CARBON DIOXIDE

Goal: Emissions of the climate-affecting gas carbon dioxide are to decline by 20 percent by 2020, compared with the average for 2014. This goal refers to carbon dioxide emissions from goods transports by air.

Outcome: The reduction of carbon dioxide emissions from air transports showed a continued positive trend. The accumulated reduction between 2014 and 2019 was 16.8 percent.

Next step: Achieving the 2020 goal will require strategic efforts and tangible measures at a few units that considerably deviate from the average.

PRODUCT DEVELOPMENT

Goal: Environmental impact is to be assessed and minimised for 100 percent of all new products according to the Group's product strategy plan.

Outcome: All launches in 2019 are deemed to have achieved the goal of a reduced environmental impact.

Next step: Nederman works actively to develop products and solutions that are as efficient as possible, with a reduced environmental impact and the lowest total ownership cost for the product's entire service life.

WASTE

Goal: The amount of waste is to continuously decline in relation to net sales. The share of recycled waste is to increase by 95 percent by 2020, compared with the average for 2013.

Outcome: The outcome for 2019 shows a continued negative trend. The degree of recycling amounted to 92.1 percent (93.7), compared with the target of 94.5. The total amount of waste in relation to net sales increased, partly because previously stored waste was discarded at a few units during the year.

Next step: Develop a lifecycle perspective for waste issues and tangible measures at individual units that deviate considerably from the average in order to reduce scrapping and improve sorting of waste at source.

CUSTOMER USE

Goal: The greatest environmental impact from Nederman's products and solutions occurs when the products are used in customer applications. The goal is to support and facilitate a reduction in environmental impact for the Group's customers.

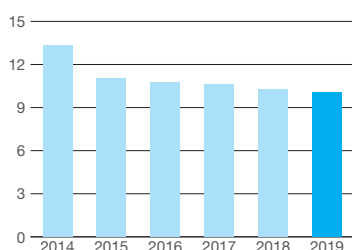
Outcome: Performance measures have been defined to follow up sales of Nederman's digital solutions when used in customer applications.

Next step: Implementation of digital solutions in priority segments. Define performance measures to measure the effect of products and solutions when used by customers.

Total energy consumption, kWh/SEK t

Total energy consumption in production in relation to sales (kWh/SEK t)

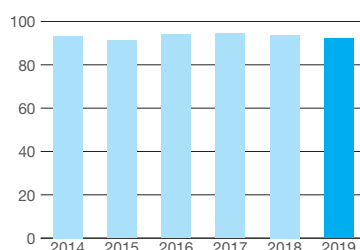
Objective 2020: Reduce energy consumption in production with 20% by 2020 compared with 2013.



Waste recovery in production, %

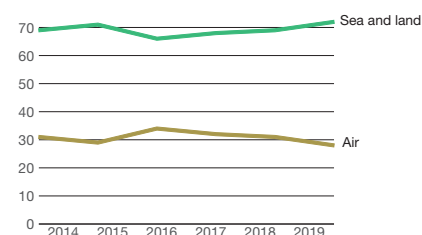
Waste for recycling or incineration in relation to total waste, %

Objective 2020: >95 %



Carbon dioxide emissions per transport mode, %

Estimated carbon dioxide emissions per transport mode, boat and truck vs air, %





Strong drivers for continued growth

Since establishment in 1944, Nederman has evolved into one of the foremost players in industrial air filtration. We have grown with new products, applications, segments and markets. A growing population, consumption, globalisation and regulatory requirements have driven the market to its current size of approximately USD 5 billion.

2019 was also a year of strong market growth. The digitalisation trend indicates continued strong growth, and Nederman is well positioned for the next phase.



Market and competitors

The global market for applications in industrial air filtration is growing in pace with more advanced needs and a greater focus on environmental and health issues. The market is also being driven by an increase in industrial production. It is our opinion that Nederman's market amounts to approximately USD 5 billion in annual investments, but inadequate statistics make this estimate uncertain.

AS A GLOBAL PLAYER, NEDERMAN FACES COMPETITION AT SEVERAL LEVELS.



Local competitors:
Narrow product programme with limited geographic coverage.



Regional competitors:
Fewer players, focus on individual application and product areas.



Global competitors:
Few global operations with a broad offering. Often part of large corporations that have activities beyond industrial air filtration.

SALES ORGANISATION

The Group has its own sales companies in approximately 25 countries and distributors in more than 30 other countries. A strong local presence is vital when it comes to responding to changes in the market and delivering comprehensive solutions. Distributors add further market coverage for individual products or small systems.

Nederman continuously develops its sales organisation to strengthen its positions through, for example, technical support and digital expertise.

Nederman is organised in four operating segments. The organisation is driven by simplicity and focus, and has the Group's brands as its starting point. This means that the divisions are global and have an explicit focus on the customer. The organisation has four overriding priorities: strengthened profitability, improved efficiency, utilisation of all the possibilities offered by digitalisation, and internal and external sustainability.

The most important tasks for the new organisation include establishing a market-driven product development and utilising all the possibilities, internal and external, offered by digitalisation. Acquisitions will play an important role in effectively establishing leading positions within attractive markets or product segments.

AMERICAS – Improving profitability



- Sales: SEK 1,380m (1,247)
- Share of Group sales: 32% (35)
- Average number of employees: 514 (495)
- Share of the Group's average number of employees: 23% (27)
- Significant markets: The US, Canada, Brazil, Mexico

Sales

SEK 1,380m	2019
SEK 1,380m	2015
+ 0.0% annual growth (ø)	

Adjusted operating profit

SEK 129m	2019
SEK 164m	2015
- 5.3% annual growth (ø)	

Adjusted operating margin

9.3%	2019
11.9%	2015

EMEA – Continued growth



- Sales: SEK 2,190m (1,768)
- Share of Group sales: 51% (50)
- Average number of employees: 1,066 (985)
- Share of the Group's average number of employees: 49% (53)
- Significant markets: The Nordics, Germany, Poland, the UK, Benelux, France, Switzerland, Spain

Sales

SEK 2,190m	2019
SEK 1,456m	2015
+ 12.6% annual growth (ø)	

Adjusted operating profit

SEK 311m	2019
SEK 169m	2015
+ 21.0% annual growth (ø)	

Adjusted operating margin

14.2%	2019
11.6%	2015

APAC – Lower investment level



- Sales: SEK 737m (539)
- Share of Group sales: 17% (15)
- Average number of employees: 615 (372)
- Share of the Group's average number of employees: 28% (20)
- Significant markets: China, India, Australia, Southeast Asia

Sales

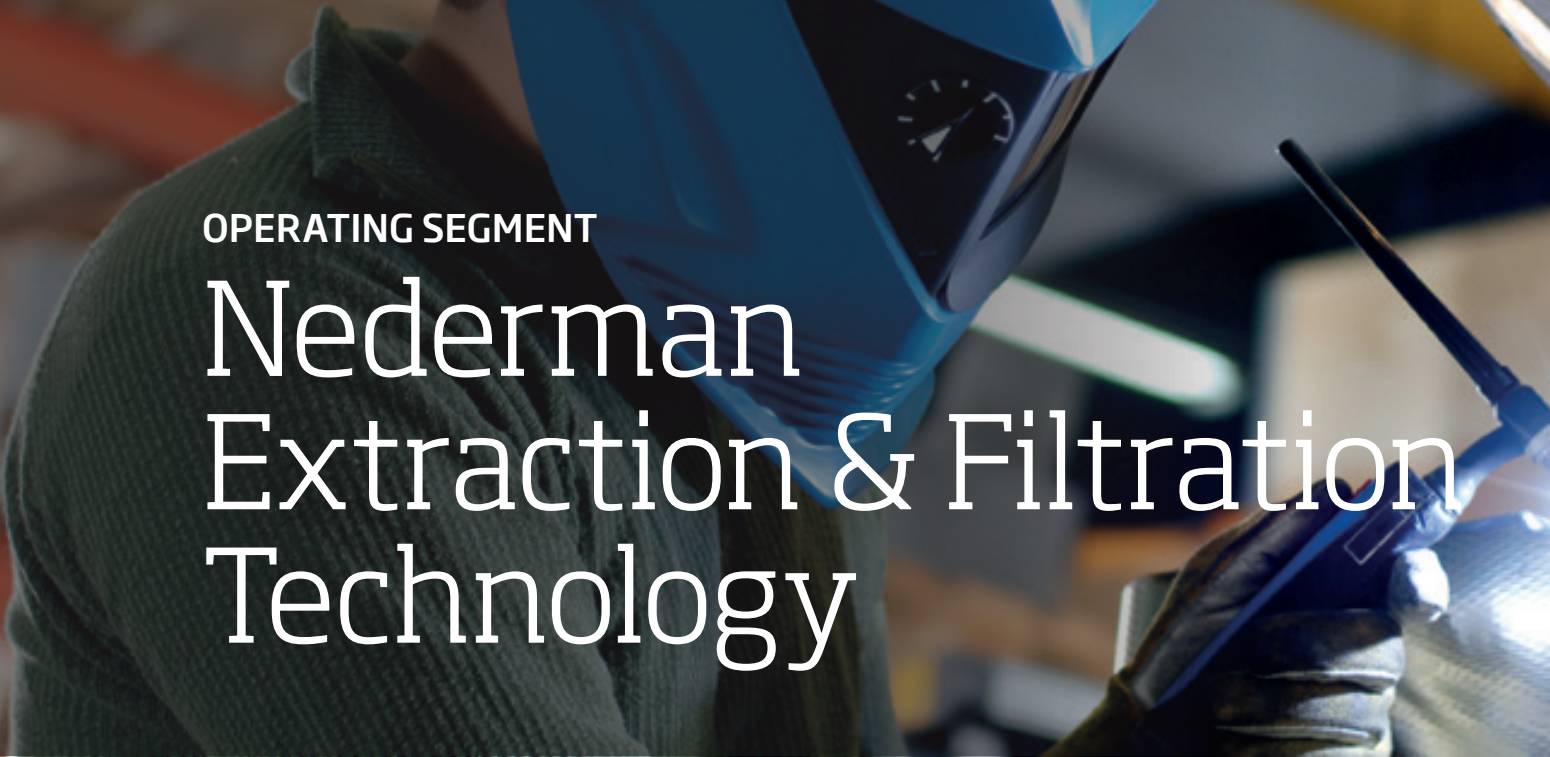
SEK 737m	2019
SEK 363m	2015
+ 25.8% annual growth (ø)	

Adjusted operating profit

SEK 33m	2019
SEK - 6m	2015
+ 162.5% annual growth (ø)	

Adjusted operating margin

4.5%	2019
-1.6%	2015



OPERATING SEGMENT

Nederman Extraction & Filtration Technology

Product development paves the way for a digital future

Extraction & Filtration Technology is Nederman's largest division, accounting for 45 percent of Group sales. During 2019, the division had strong growth in both sales and orders received as well as a continued favourable profitability trend. The future is digital and Nederman is in the front line. More launches of products such as digital filter solutions are scheduled for 2020.

MARKET POSITION AND STRATEGY

Environmental issues will remain important for our customers, and we are continuing to strengthen our positions in several key areas where we anticipate future growth.

Many markets, primarily within Europe, are considered mature. The strategy in these markets is to develop processes that strengthen and streamline customer relationships. Digital order management via the division's webshop is continually being implemented for more countries and partners, with substantial gains for all involved.

Continued product development is central to retaining our strong market positions. The Group's joint IoT platform Insight will provide the basis for digitalising all filter solutions. Digitalisation offers the potential for close and long-term customer relationships, thereby increasing aftermarket sales.

Nederman is a well-known, respected brand with a leading position in many markets. Our sales organisation and offerings are gradually being expanded into new markets, segments and applications in order to strengthen our competitiveness.

CUSTOMERS AND MARKET SEGMENTS

Our customers operate in a number of industries with various types of air emissions that must be dealt with in an efficient and safe manner. The division's products and solutions contribute to creating safer work environments in numerous areas, including the metalworking industry, fibre-based industry (wood and composites), vehicle workshops and industries exposed to dust particles that - if not handled correctly - are liable to cause explosions.

Tougher regulatory requirements are an important driving force behind the demand for new products and solutions. For example, the British Health & Safety Executive decided during the year to classify welding fumes as carcinogenic, thereby fuelling demand for our mobile filter solutions.

PRODUCTS AND SOLUTIONS

The product range consists of a broad assortment of capturing devices, pipe systems, fans, high-vacuum and low-vacuum filters, and reels for the distribution of a variety of liquids or compressed air.

In 2019, we completed the development of our first digital SmartFilters (read more on page 40). The launch is now under way, and additional products will follow in 2020. This also applies to our subscription service offering myAir (read more on page 41.)



Extraction & Filtration Technology in brief

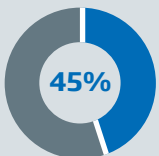
Head of Division: Hans Dahlén

Brands: Nederman

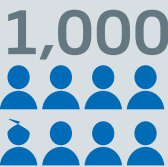
2019

External orders received, SEKm	1,962
Sales, SEKm	1,940
Adjusted EBITA, SEKm	263
Adjusted EBITA margin, %	13.6

Share of Group sales



Average number of employees, approx.



SALES AND MARKET TREND

Sales are carried out both through our own sales companies and through an extensive network of partners. The division also has significant aftermarket sales in the form of spare parts and service. Business activities are conducted under the Nederman brand.

Europe and the Americas exhibited strong growth while several APAC countries declined. Growth was primarily driven by system sales, although product and service sales also increased. Large markets such as the Nordic countries, the UK and the US reported double-digit growth while Germany reported weak growth for the year as a whole. Brazil performed well, as did most other European markets, while Poland declined largely due to lower activity in the wood industry. Improved margins and higher efficiency resulted in favourable developments in profitability.

Milestones in 2019

1. STRONG GROWTH IN ORDERS VIA DIGITAL CHANNELS

Continued focus on digitalisation and e-commerce. New users, new markets and new services caused the division's orders received via Nederman PartnerShop to increase by approximately 16 percent during the year.

2. LAUNCH OF OUR FIRST DIGITAL PRODUCTS AND SOLUTIONS

In 2019, the first products in Nederman's SmartFilters series were launched. SmartFilters enable the customer to monitor the filter's function and performance in real time.

3. CERTIFIED OFFERING FOR HANDLING COMBUSTIBLE DUST

Nederman is the market leader in safe and reliable solutions for handling combustible dust. Based on extensive tests and subsequent certification, a unique product family was launched during the year that builds on our proprietary CARZ isolation valve solution. The products are intended for extremely demanding customer environments and increase our market potential.



OPERATING SEGMENT

Nederman Process Technology

Increased profitability in a challenging market

Nederman Process Technology is in charge of the Group's offerings in air filtration, air conditioning, process equipment and emission control. In 2019, the first digital solutions were launched, and additional ventures are planned for the year to come.

The division's market-leading solutions are directed primarily at customers in metalworking, mining operations and energy production as well as the chemicals and textile industries. 2019 was a year of robust sales growth and increased profitability within specialised products, while sales of more standardised solutions declined. This trend was particularly evident in the US where standardised solutions have historically made up a substantial share of the business activities. The market in China also showed a general decline in willingness to invest due to geopolitical unrest. The important textile industry characterised by overcapacity.

Orders received during the year were considerably lower than in the preceding year, largely due to a weaker demand from the textile industry and lower sales of more standardised solutions. By focusing on attractive segments and solutions as well as significant productivity improvements, the division's operating profit nonetheless improved by about 15 per cent on an annual basis.

Significant progress was also made in the IoT area. As of 2019, all of the division's solutions are delivered with the option of digitalisation and remote monitoring. In combination with an extended service and aftermarket offering, this enables Nederman to support the customer throughout the entire product life cycle.

MARKET POSITION AND STRATEGY

Nederman Process Technology is benefiting from the growing trend of climate awareness. This trend is fuelling demand for solutions for safe workspaces, energy savings and emission control. At the same time, the customer base, mostly comprising large multinational companies, is continuing to integrate and streamline its global production activities. This is leading to a greater need for suppliers that can provide services throughout the product's entire life cycle. Requests for smaller in-house organisations and increasingly complex products are also boosting the need for outsourced services.

The division's strategy to respond to these developments rests on four cornerstones:

- **Globalisation:** Nederman is currently one of a few suppliers that can offer services on a global basis. This gives us a good position in our key segments. Increased technology and knowledge transfer between the division's different regions facilitate considerable growth.
- **Service and digitalisation:** MikroPul-Assist, a digital concept for operational monitoring and diagnostics, was launched during the year. In combination with a complete service and aftermarket offering, this enables Nederman to follow the customer throughout the entire product life cycle.
- **Productivity:** The division's Performance System software, designed to improve processes within the entire organisation, has generated substantial efficiency and cost savings.
- **Employee development:** Engineering, applications expertise and project management are key components in producing results in every customer project. Extensive training initiatives coupled with investments in sales, marketing and support functions will lead to better customer service and better internal efficiency.



Process Technology in brief

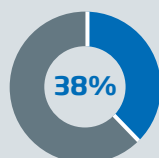
Head of Division: Tomas Hagström

Brands: MikroPul, Luwa, Pneumafil, LCI

2019

External orders received, SEKm	1,462
Sales, SEKm	1,633
Adjusted EBITA, SEKm	102
Adjusted EBITA margin, %	6.2

Share of Group sales



Average number of employees, approx.



CUSTOMERS AND MARKET SEGMENTS

Customers consist of large companies in a wide range of industries. The division's most important customer segment is the textile industry, which continues to be characterised by overcapacity and low investment volumes. The acquisition of Luwa during the final quarter of 2018 strengthened Nederman's position – particularly in Asia where Luwa is a strong brand – and could help to further advance the division's positions, thus also benefiting other market segments.

In addition to Luwa, business activities are carried out under the brands MikroPul, Pneumafil and LCI.

PRODUCTS AND SOLUTIONS

The division's solutions form an integral part of the customers' manufacturing process and are crucial for creating safe work environments and stable production conditions, and managing emissions to the local environment. During the year, the offering expanded from advanced filter solutions to include digital monitoring and diagnostics systems.

Most of the solutions are based on tried-and-tested products and components, but with a high degree of customisation. The results rely completely on our in-depth knowledge of the industry and the current situation.

Product development that focuses on digital solutions for continuous plant monitoring and control is a priority. The first offerings based on the Group's IoT platform were introduced in 2019, and the initiative will intensify in 2020 with the launch of further commitment offerings. During the year, a number of patents were registered for new applications in several segments.

SALES AND MARKET TREND

Sales activities are conducted by our own sales organisation or agents that have direct contact with the division's customers. The number of orders are few compared with sales in Nederman Extraction & Filtration Technology, but the individual order value is high. Process Technology works with a number of the world's leading companies and its relationships with customers are often deep and long lasting.

Milestones in 2019

1. INTEGRATION OF LUWA

Luwa is the market leader in air conditioning and filtration for the fibre and textile industries. Luwa was acquired in 2018 and was fully integrated in 2019, including the establishment of a joint management team and sales process.

2. LAUNCH OF MIKROPUL-ASSIST

MikroPul-Assist was launched in North America, Europe and APAC in 2019. MikroPul-Assist is a system for monitoring the status and performance of filter elements. By presenting information using clear graphics, MikroPul-Assist contributes to stable production without unscheduled disruptions.

3. CONTINUED STREAMLINING PROGRAMME

- The organisation was modified in order to better leverage global business opportunities and minimise the division's overheads.
- Sales strategy with greater focus on profitability and selective initiatives to avoid volume projects with low margins.
- Productivity improvements for increased margins.



OPERATING SEGMENT

Nederman Duct & Filter Technology

Focus on increased market coverage

Pipe systems, valves and filter elements are important components for ensuring the best air filtration and play a decisive role in Nederman's solutions. Sales and profitability for Nederman Duct & Filter Technology were satisfactory in relation to the market's total development. During the year, a number of activities were carried out to create the conditions for increased profitability and growth within new markets and segments.

MARKET POSITION AND STRATEGY

Filter elements are a central component in effective air filtration. As in its other product ranges, Nederman's philosophy is to deliver the best life cycle cost for the customer. Together with a complete programme of pipe systems, our filter solutions are built on technical solutions that guarantee a long life with a minimum of maintenance.

Productivity and efficiency throughout the entire value chain are critical issues for the market. Duct & Filter Technology's strong position is therefore based on the continuous development of products, design and configuration tools, and logistics solutions paired with in-depth application and engineering expertise.

The division also runs the Nederman Filter Competence Centre to support other divisions with product development, knowledge and expert advice. Activities in 2019 included the development of a completely new filter cartridge concept (The Squirrel), which boosts capacity in existing systems by 30 percent.

CUSTOMERS AND MARKET SEGMENTS

Customers are found in a wide range of industries, such as woodworking, metalworking, cement and concrete production, recycling, energy production, the automotive industry, plastics manufacturing and the chemicals industry.

Sales are mainly conducted through distributors and OEM customers, but Duct & Filter Technology also has substantial internal sales to Nederman's other divisions.

PRODUCTS AND SOLUTIONS

The division carries out its business activities under two brands: Nordfab (pipe systems) and Menardi (filter solutions).

Nordfab is a global leader in pipe systems for dust, fume, gas and smoke extraction as well as industrial ventilation, headed by its proprietary Quick-Fit system. The system is based on a clip solution that eliminates the need for screws, rivets or welding and reduces installation and downtime by up to 50 percent. With advanced tools for design and configuration, lead times from the planning phase to installation can be further reduced.

Menardi bases its business activities on meticulous pre-studies and filters that have a longer lifespan (up to 20 percent lower life cycle cost). Its operations are characterised by long-standing customer relationships based on a high degree of customisation and in-depth process expertise. During the year, a filter solution that provides up to four times cleaner air was launched. A strategic collaboration was initiated with the engineering company Valtria at the European level within the expansive cleanroom segment.



Duct & Filter Technology in brief

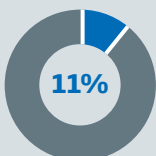
Head of Division: Jeppe Rasmussen

Brands: Nordfab, Menardi

2019

External orders received, SEKm	474
Sales, SEKm	555
Adjusted EBITA, SEKm	70
Adjusted EBITA margin, %	12.5

Share of Group sales



Average number of employees, approx.



SALES AND MARKET TREND

To strengthen its external market position, the division has continued to expand its reseller network, primarily in North America but also within EMEA. The sales organisation has been strengthened, and the division has increased its activities at several industrial trade shows.

Market trends during the year largely followed the trends in other parts of the Nederman Group. Developments in Europe remained strong, except for the UK where the Brexit situation has delayed investments. Demand for pipe systems in the US was largely positive. Demand in Asia was weaker, prompting adjustments and streamlining of the organisation.

The division also focused on monitoring and responding to developments in the price of steel and filter media, which has a major impact on pricing and margins. The favourable progress experienced during the first three quarters of the year came to a halt during the fourth quarter, due in part to postponed pipe projects within EMEA and weaker developments in the US filter market.

Milestones in 2019

1. LAUNCH OF MENARDI HPF TECHNOLOGY

New technology that provides up to four times cleaner air than traditional filter media.

2. PRODUCTION EQUIPMENT UPGRADE WITHIN NORDFAB

Installation of new cutting equipment based on fibre lasers and implementation of a new ERP system within Nordfab's production plants resulted in increased digitalisation of the supply chain flow.

3. NORDFAB'S LEAK-FREE SYSTEM

The development of an improved leak-free system strengthened Nordfab's market-leading position within installation security.

OPERATING SEGMENT

Nederman Monitoring & Control Technology

Product development and acquisitions drive expansion

Nederman Monitoring & Control Technology focuses on the development of digital products and services to improve the Group's collective customer offering. Stricter legislation and access to data are fuelling demand. The division reported a sharp increase in sales and orders received, and the acquisition of Gasmet promises new advances in 2020.

MARKET POSITION AND STRATEGY

The vision is to create a digital flow from filter to facts. A digital process gives customers greater potential to optimise the air filtration process in real time, and thereby better production efficiency, reduced maintenance costs and guaranteed compliance with regulatory requirements. For Nederman, the process means access to vast amounts of data that can be used to improve customer-specific service and maintenance as well as general product development.

Combined with in-depth application and engineering expertise in the Group's organisation, Nederman is playing market-leading role in the change currently facing the industry.

Stricter regulations and legislation introduced worldwide is a decisive driver in terms of the division's development. Digital solutions are often a deciding factor when it comes to enabling customers to comply with statutory requirements. New requirements from the US Environmental Protection Agency (EPA) and stricter Chinese environmental legislation are behind several of the year's large orders.

The pace of innovation is high and the division is undergoing rapid development. Acquisitions will also be a priority for continued global expansion.

CUSTOMERS AND MARKET SEGMENTS

Monitoring & Control Technology works with a broad spectrum of industries that need to continuously monitor and control their production and processes.

Nederman Insight was upgraded during the year to include new functions, and the offering now covers a large portion of the Group's customer and industry segment.

PRODUCTS AND SOLUTIONS

Nederman Monitoring & Control Technology's digital offering is built on a proprietary IoT platform (Nederman Insight) that consists of hardware installed in Nederman's products and solutions, and software that communicates with the cloud and provides customers with information and insight into critical parameters and processes.

In addition to Nederman Insight, the division develops and sells products and systems for laser-based measurement of gases (NEO Monitors) and continuous particle monitoring systems under the Auburn FilterSense (AFS) brand. The final quarter of the year also saw the acquisition of Gasmet, which complements the division's offering of world-leading gas analysis products and systems based on FTIR (Fourier Transform Infrared) technology.



Monitoring & Control Technology in brief

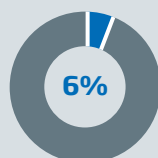
Head of Division: Ketil Gorm Paulsen

Brands: NEO Monitors, Auburn FilterSense, Gasmet

2019

External orders received, SEKm	271
Sales, SEKm	280
Adjusted EBITA, SEKm	45
Adjusted EBITA margin, %	15.9

Share of Group sales



Average number of employees, approx.



SALES AND MARKET TREND

Nederman Monitoring & Control Technology sells through the division's own companies and their network of distributors. Sales are also conducted via the other Nederman divisions. An important activity involves participating in industry trade shows together with the other divisions in order to reach the existing customer base. The acquisition of Gasmet has provided the division with new products as well as a greater market presence in Germany, the UK, Hong Kong and other countries.

The division experienced a favourable sales trend during the year. Several major heavy industry installations (for example, black carbon and steel manufacturing) were carried out. The launch of MikroPul-Assist and SmartFilters, in which digital components are a key ingredient, contributed significantly.

Developments in Europe were favourable. The situation in the US was positive overall, while demand in Asia declined. Orders received were affected by trade concerns resulting in partially postponed investment decisions.

Focus was on the development of new products and applications. This is expected to have a substantial impact on sales and earnings in 2020 when combined with advancing positions in the North American market and the acquisition of Gasmet.

Milestones in 2019

1. NEW VERSION OF NEDERMAN INSIGHT

The option of online reporting, documentation of key data and optimisation of high-vacuum filtration. Three important functions were added to the existing monitoring and alarm functions, allowing Insight to be used within Nederman's important woodworking, foundry and smelter segments.

2. SMARTBOX

Nederman launched the new universal control panel Insight Control at FABTECH 2019 in Chicago. The first launch was carried out together with a new filter system from the sister division Nederman Extraction & Filtration Technology. Insight Control will eventually control most of Nederman's filter solutions.

3. GASMET - WORLD LEADER IN GAS ANALYSIS

Gasmet is the leading technology company in FTIR gas analysis and emissions monitoring systems. The product portfolio includes more than 4,000 installed units in some 80 markets. Gasmet generated sales of approximately EUR 23m in 2019, with EBITDA margins that exceeded the equivalent margins in the Nederman Group.

The Nederman Share

Nederman's ambition is to continuously provide the financial markets, shareholders and other stakeholders with accurate, consistent and relevant information in order to increase understanding of the Group and comply with the regulations for listed companies. The Nederman share has been listed on Nasdaq Stockholm under the NMAN ticker since 16 May 2007. Since January 2014, the share has been listed on Nasdaq Stockholm Mid Cap. A brief history of the Company and its share is shown on the next page.

The parent company's equity at year-end was SEK 1,378.2m (1,234.9). The market capitalisation was SEK 4,721.9m (3,163.1).

MARKET COMMUNICATION

Nederman's representatives meet regularly with analysts, credit providers and shareholders to give a continuous picture of developments during the financial year. Interim reports, year-end reports and annual reports are distributed to shareholders who so wish. These reports, together with the company's press releases, are also available on the website in Swedish and English.

OWNERSHIP STRUCTURE

The number of shareholders at year-end was 3,928 (3,373). Each share in Nederman entitles the holder to one vote. The share of Swedish ownership was 93.7 percent (93.0). The ten largest shareholders accounted for 79.6 percent (80.3) of the total number of shares. The largest individual shareholder is Investment AB Latour. The table on the next page shows Nederman's ownership structure at 31 December 2019.

SHARE SPLIT

As a result of the share split (3:1) approved by the 2018 Annual General Meeting, the number of shares issued increased by 23,430,680. On 31 December 2019, the total number of shares amounted to 35,146,020. The company's share capital is unchanged at SEK 1,171,534, and the par value of the share was changed from SEK 0.1 to SEK 0.03. The earnings per share in previous years have been adjusted based on the number of shares outstanding after the share split.

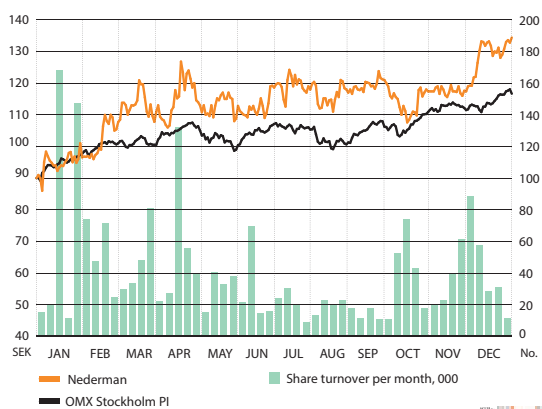
DIVIDEND AND DIVIDEND POLICY

Nederman's dividend policy is to pay a dividend amounting to 30-50 percent of net profit after tax, taking into account the capital structure and acquisition plans. For the 2019 financial year, the Board of Directors proposes a dividend of SEK 2.50 per share (2.30).

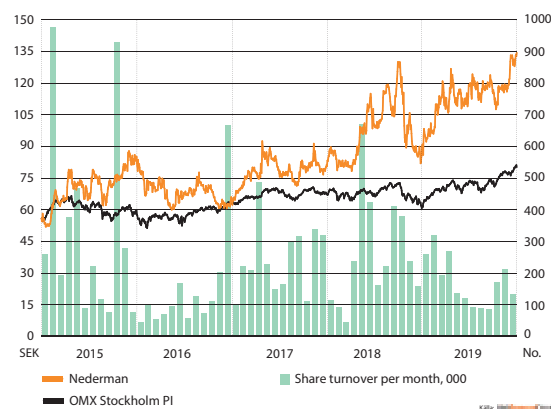
ANALYSTS WHO FOLLOW NEDERMAN

Daniel Lindkvist from Handelsbanken,
dali13@handelsbanken.se

Price and volume trend 2019



Price and volume trend 2015-2019



Data per share	2019	2018	2017*	2016*	2015*
Earnings per share after tax, SEK	6.43	5.78	5.31	4.91	4.36
Share price as at 31 December, SEK	134.4	90.0	83.3	62.5	85.2
Market capitalisation, SEKm	4,721.9	3,163.1	2,928.8	2,196.6	2,993.3
Cash flow, SEKm	-20.2	87.7	79.3	19.2	-68.4
Proposed dividend per share, SEK	2.50	2.30	2.00	1.83	1.67
Dividend growth, %	8.7	15.0	9.1	10.0	25.0
Yield, %	1.86	2.56	2.40	2.93	1.96
P/E ratio	20.9	15.6	15.7	12.7	19.5
Profit distributed as dividend, %	39	40	38	37	38
Equity, SEKm	1,378.2	1,234.9	1,075.8	982.2	837.1
Issued no. of shares, 31 Dec	35,146,020	35,146,020	11,715,340	11,715,340	11,715,340
Proposed dividend as a percentage of equity, %	6.4	6.5	6.5	6.5	7.0

Nederman's major shareholders	Shareholding	Votes, %
Investment AB Latour	10,538,487	29.98
Ernstrom Kapitalpartner AB	3,525,000	10.03
IF Skadeförsäkring AB (publ)	3,481,200	9.90
Swedbank Robur småbolagsfond Sverige	2,632,929	7.49
Fjärde AP-fonden	1,953,334	5.56
Lannebo Microcap II	1,859,114	5.29
Tredje AP-fonden	1,285,066	3.66
Lannebo Micro cap.	1,216,103	3.46
Handelsbankens Nordiska, småbolagsfond	841,603	2.39
UN Joint staff	641,599	1.83
Other shareholders	7,171,585	20.41
Total	35,146,020	100.00

Shareholders by category, %

Financial companies	65.55
Other Swedish legal entities	10.94
Social security funds	9.21
Private Swedish individuals	7.66
Foreign domiciled owners	6.27
Non profit organisations	0.37
Total	100.00

History

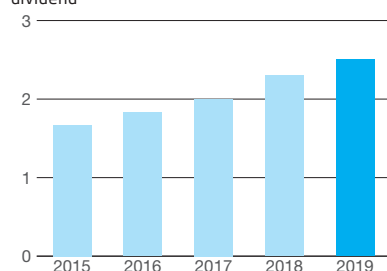
1944	Company founded by Phillip Nederman.
1983	Listing on the Stockholm Stock Exchange.
1985	Active becomes the new majority shareholder. The Company is delisted.
1991	Nederman sold to Esab.
1994	Charter acquires Esab and becomes the new majority shareholder.
1999	Venture capital company EQT acquires Nederman.
2007	Listing on Nasdaq Stockholm.
2010	Acquisition of Dantherm Filtration.
2012	Acquisition of Environmental Filtration Technologies.
2013	Nederman qualifies for Nasdaq Stockholm Mid Cap.
2014	Nederman is moved to Nasdaq Stockholm Mid Cap.
2017	Acquisition of NEO Monitors AS.
2018	Acquisitions of Auburn FilterSense LLC and Luwa Air Engineering AG.

Shareholders per country, %

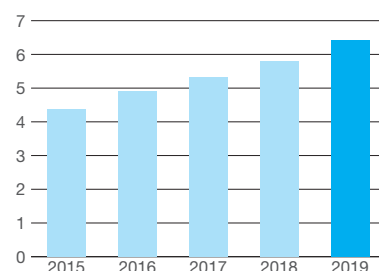
Sweden	93.73
Finland	3.50
Luxembourg	0.80
France	0.70
UK	0.66
US	0.26
Germany	0.11
Denmark	0.10
Other	0.14
Total	100.00

Dividend per share, SEK

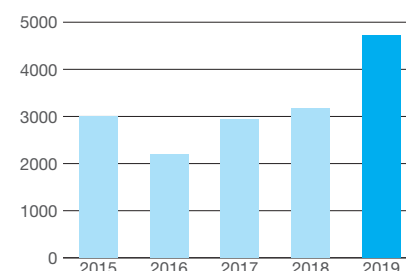
The 2019 dividend refers to the Board's proposed dividend



Earnings per share, SEK



Market capitalisation, SEKm



*Nederman Group applies the retroactive approach in relation to IFRS 16 Leases and figures for 2018 are therefore restated pursuant to the new standard. For earlier financial years, IAS 17 Leases was applied in accordance with the accounting policies that applied through 2017. See also accounting policies on pages 93-98.

Review of business operations

The Board and CEO of Nederman Holding AB (publ), corporate registration number 556576-4205, hereby submit their annual report for the 2019 financial year.

BUSINESS

Nederman is one of the world's leading suppliers of products and solutions for advanced air filtration in demanding industrial environments. Our offering comprises individual products, complete solutions, project design, installation, commissioning and service. Nederman's business concept is clean air. The company's products contribute to reducing the environmental impact from industrial manufacturing, creating clean and safe working environments, and increasing production efficiency. The organisation has four overriding priorities: strengthened profitability, improved efficiency, utilisation of all the possibilities offered by digitalisation, and internal and external sustainability. All production units, apart from one, are certified according to ISO 9001 and 13 production units out of 16 are certified according to ISA 14001. The parent company and one sale company are also certified according to ISO 9001 and ISO 14001. Units for production and assembly are located in Australia, Brazil, Denmark, Finland, India, China, Norway, Poland, the UK, Sweden, Thailand, Germany and the US. Sales are conducted through our own sales companies and distributors in over 50 countries. Most sales take place in Europe and North America, although Nederman is also active in a number of growth markets. The Group had 2,370 (2,305) employees at year-end.

GROUP STRUCTURE

Nederman Holding AB (publ) is the parent company of the Group with directly or indirectly wholly owned subsidiaries as stated in Note 20.

As of 2019, the Group's operations are conducted in four operating segments: Nederman Extraction & Filtration Technology, Nederman Process Technology, Nederman Duct & Filter Technology and Nederman Monitoring & Control Technology. This organisation is based on technology, customers and business logic. The operating segments are global and have an explicit focus on the customer. Nederman Extraction & Filtration Technology's product range consists of a broad range of capturing devices, fans, high-vacuum products and reels for the distribution of a variety of liquids or compressed air. Nederman Process Technology's products include, among other things, advanced filter solutions that are integrated into the customers' production processes where they catch harmful particles and gases as well as other process-critical equipment. Nederman Duct & Filter Technology works with different types of pipe systems, valves and filter elements to ensure good air quality in a number of industries. Nederman Monitoring & Control Technology's digital offering includes advanced measuring technology and a platform that consists of hardware installed in Nederman's products and solutions, and software that communicates with the cloud and provides customers with information and insight into critical parameters and processes. On a secondary level, the operations are monitored based on the following regions, which comprised the

Group's operating segments until the end of 2018: EMEA (Europe, Middle East and Africa), Americas (North and South America) and APAC (Asia-Pacific).

Operations is responsible for manufacturing, distribution, product care, logistics, purchasing and quality systems. Manufacturing, assembly and distribution are carried out in 13 countries on five continents. The operating segments are mainly responsible for the operating units within each segment.

Finance, IT and Human Resources are Group functions with the task of supporting operational activities and being responsible for global coordination within each function.

STOCK EXCHANGE LISTING

The Nederman share has been listed on Nasdaq Stockholm under the NMAN ticker since 16 May 2007. Since January 2014, the share has been listed on Nasdaq Stockholm Mid Cap. The Mid Cap segment includes companies that have a market capitalisation between EUR 150 million and EUR 1 billion. As of 31 December 2019, there were 3,928 (3,373) shareholders.

ACQUISITIONS DURING THE YEAR

On 9 December 2019, Nederman acquired 100% of the shares in the Finnish company Gasmet Technologies Oy (Gasmet). Gasmet is a world-leading supplier of FTIR (Fourier Transform Infrared Spectroscopy) gas analysis solutions and supplies system solutions for continuous emission, mercury and dioxin monitoring systems and portable gas analysers. Today, the company has the market's largest project portfolio of FTIR analysis solutions, with more than 4,000 installed units in approximately 80 markets. The company is based in Helsinki, Finland, and also has a global presence through wholly owned subsidiaries in Germany, the UK, Canada, Hong Kong and Austria. Gasmet had approximately 100 employees and sales of about EUR 23m for the 2019 financial year. Gasmet is included in the Nederman Monitoring & Control Technology operating segment.

ORDER INTAKE AND SALES IN 2019

Order intake amounted to SEK 4,168.4m (3,479.5), which currency-neutral corresponds to an increase of 15.2 percent compared with 2018. Net sales amounted to SEK 4,307.7m (3,553.9), which currency-neutral corresponds to an increase of 16.6 percent compared with 2018.

PROFIT/LOSS

Consolidated operating profit for 2019 totalled SEK 343.2m (305.7), corresponding to an operating margin of 8.0 percent (8.6). Adjusted operating profit amounted to SEK 349.1m (318.9). Adjusted operating margin was 8.1 percent (9.0). Profit before tax amounted to SEK 307.3m (267.5). Net profit totalled SEK 225.8m (202.8), corresponding to earnings per share of SEK 6.43 (5.78).

PRODUCT DEVELOPMENT

The Group's expenses for development of the existing product range and new products amounted to SEK 65.2m (44.1). SEK 15.6m (5.7) was capitalised in the consolidated statement of financial position. The increase in research and development expenses and capitalised development expenditure are mainly attributable to IoT and Nederman's digital offering.

INVESTMENTS AND DEPRECIATION/AMORTISATION

The Group's capital investments in intangible assets for the year amounted to SEK 50.1m (38.8). Amortisation of intangible assets for the year totalled SEK 44.9m (35.1). The Group's investments in tangible assets for the year amounted to SEK 43.5m (24.0). The increase is mainly related to efficiency enhancements in production equipment. Depreciation of tangible assets for the year was SEK 34.7m (28.8).

CASH FLOW

Cash flow for the year amounted to SEK -20.2m (87.7) and cash flow from operating activities to SEK 321.3m (271.4). The negative cash flow for the year was primarily attributable to the acquisition of Gasmot and increased investments in product development and production equipment. Compared with the preceding year, cash flow from operating activities was positively impacted by changes in working capital.

LIQUIDITY AND FINANCIAL POSITION

At the end of the period, the Group had SEK 445.3m in cash and cash equivalents as well as SEK 94.2m in unutilised overdraft facilities. In 2019, the Group refinanced its external loans and entered into a revolving credit facility of SEK 1,500m with SEB and SHB. In addition, the Group entered into a bilateral loan agreement with Svensk Export Kredit of SEK 500m. The agreements have a three year maturity with extension options for two additional years. At the end of the period, the Group had a credit facility of SEK 420m within Nederman's loan agreement with SEB and SHB.

Net debt amounted to SEK 1,564.1m (787.6). Equity amounted to SEK 1,378.2m (1,234.9), corresponding to an equity/assets ratio of 29.0 percent (30.7) and a net debt/equity ratio of 113.5 percent (63.8). Net debt was primarily negatively impacted by the increased debt resulting from the acquisition of Gasmot. Net debt was also negatively impacted by the higher lease liability attributable to the lease of properties in Gasmot and the Group's increased pension liability. The increased pension liability is mainly attributable to lower discount rates on the Group's defined-benefit pension plans.

EMPLOYEES

The average number of employees during the year was 2,195 (1,852). Other personnel data is shown in Note 7.

PARENT COMPANY

The activities of the parent company comprise Group functions. The parent company also owns and manages shares in the subsidiaries.

PROPOSED APPROPRIATION OF PROFIT

The following amounts are at the disposal of the Annual General Meeting of Nederman Holding AB (publ):

Share premium reserve	5,866,700
Retained earnings	494,865,542
Net profit for the year	96,372,679
Total SEK	597,104,921

The Board of Directors proposes that a dividend of SEK 2.50 per share be paid to the shareholders	87,732,740*
to be transferred to the share premium reserve	5,866,700
to be transferred to retained earnings	503,505,481
Total SEK	597,104,921

* Based on the number of shares outstanding as of 31 December 2019. Number of shares amounted to 35,146,020 and number of treasury shares held amounted to 52,924 giving 35,093,096 in number of shares outstanding, see also note 19. The dividend amount may be subject to change as treasury shares may be traded up to the record date of 21 April 2020.

OUTLOOK

Many of Nederman's markets, not least the US and China, and recently also Germany to a certain extent, are characterised by uncertainty, not least from the recent development of the corona virus. Trade conflicts and financial uncertainty mean that decisions on major investments are being prolonged and that large projects are often being postponed, resulting in considerable volatility in Nederman's orders received. Increasing signs of a general slowdown in the world economy have also been noted. Despite these challenges, Nederman's basic view is one of cautious optimism. Environmental issues will remain important for the Group's customers, which can be expected to soften the effects of a weaker economy to a certain degree, and the Group is continuing to strengthen its positions in several key areas where future growth will occur. In Europe and North America, the Group will build on Nederman's strengths as a leading environmental technology company. In regard to the developments in Asia, which are not aligned with the Group's ambitions, intensive efforts to reverse the trend will continue.

NOTICE OF ANNUAL GENERAL MEETING

The notice to attend the Annual General Meeting is to be issued no earlier than six weeks and no later than four weeks prior to the Meeting.

POST BALANCE SHEET EVENTS

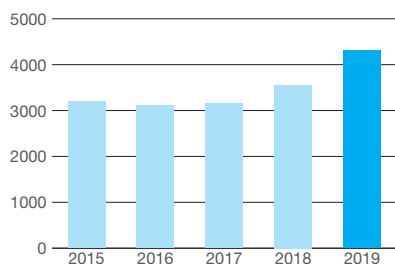
No significant events have occurred.

Multi-year overview

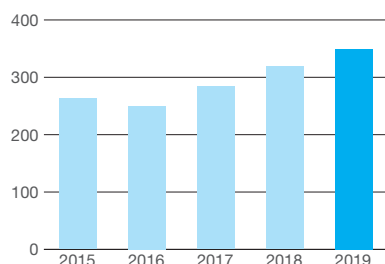
SEKm	2019	2018	2017*	2016*	2015*
Operating revenue and earnings					
Net sales	4,307.7	3,553.9	3,148.5	3,107.3	3,198.0
EBITDA	489.9	426.9	330.8	298.0	289.9
Adjusted EBITDA	495.8	440.1	338.5	298.0	311.0
Operating profit	343.2	305.7	278.1	250.3	242.0
Adjusted operating profit	349.1	318.9	285.8	250.3	263.1
Profit before tax	307.3	267.5	260.1	231.7	214.9
Net profit	225.8	202.8	186.3	172.1	152.8
Assets, equity and liabilities					
Fixed assets	2,643.9	2,000.2	1,471.3	1,157.8	1,135.2
Current assets	2,102.6	2,020.3	1,499.6	1,495.6	1,430.6
Cash and cash equivalents	445.3	463.9	360.9	287.8	261.4
Equity	1,378.2	1,234.9	1,075.8	982.2	837.1
Interest-bearing liabilities	2,009.4	1,251.5	946.2	812.1	897.0
Non-interest-bearing liabilities and provisions	1,358.9	1,534.1	948.9	859.1	831.7
Balance sheet total	4,746.5	4,020.5	2,970.9	2,653.4	2,565.8
Profitability					
EBITDA margin, %	11.4	12.0	10.5	9.6	9.1
Adjusted EBITDA-margin, %	11.5	12.4	10.8	9.6	9.7
Operating margin, %	8.0	8.6	8.8	8.1	7.6
Adjusted operating margin, %	8.1	9.0	9.1	8.1	8.2
Return on equity, %	17.3	17.7	18.1	18.9	19.5
Return on operating capital, %	14.1	16.5	18.0	16.8	19.0
Capital turnover rate, multiple	1.7	1.8	2.0	2.1	2.3
Capital structure					
Net debt	1,564.1	787.6	585.3	524.3	635.6
Net debt/equity ratio, %	113.5	63.8	54.4	53.4	75.9
Net debt/adjusted EBITDA, multiple	3.2	1.8	1.7	1.8	2.0
Adjusted EBITDA/net financial items, multiple	13.8	11.5	18.8	16.0	11.5
Interest cover ratio, multiple	8.1	7.5	11.8	11.8	8.9
Equity/assets ratio, %	29.0	30.7	36.2	37.0	32.6
Operating capital	2,942.3	2,022.5	1,661.1	1,506.5	1,472.7
Share data					
Number of shares on closing date	35,146,020	35,146,020	11,715,340	11,715,340	11,715,340
Average no. of shares during the year, before dilution	35,093,096	35,088,753	11,696,251	11,691,969	11,681,340
Average no. of shares during the year, after dilution	35,093,096	35,088,753	11,696,251	11,691,969	11,725,969
Equity per share, before dilution, SEK	39.27	35.19	30.66	28.00	23.89
Equity per share, after dilution, SEK	39.27	35.19	30.66	28.00	23.80
Earnings per share, before dilution, SEK	6.43	5.78	5.31	4.91	4.36
Earnings per share, after dilution, SEK	6.43	5.78	5.31	4.91	4.34
Proposed dividend per share, SEK	2.50	2.30	2.00	1.83	1.67
Employees					
Average numbers of employees	2,195	1,852	1,757	1,760	1,833

*Nederman Group applies the retroactive approach in relation to IFRS 16 Leases and figures for 2018 are therefore restated pursuant to the new standard. For earlier financial years, IAS 17 Leases was applied in accordance with the accounting policies that applied through 2017. See also accounting policies on pages 93-98.

Sales, SEKm

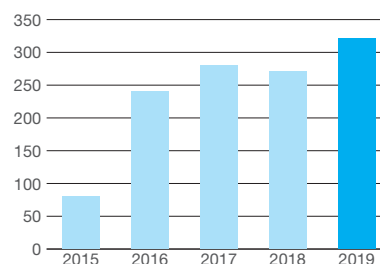


Adjusted operating profit, SEKm*

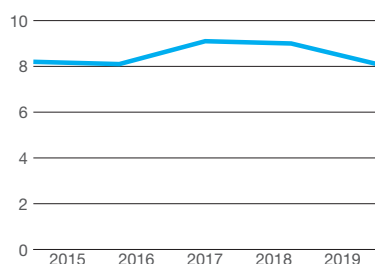


Cash flow, SEKm*

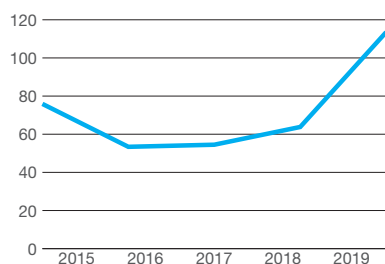
From operating activities



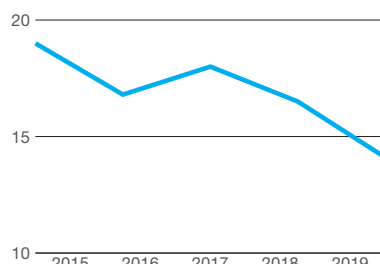
Adjusted operating margin, %*



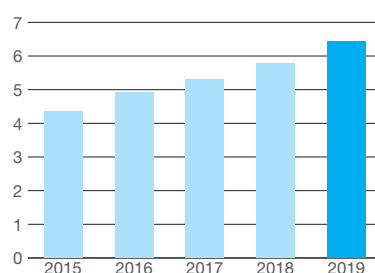
Net debt/equity ratio, %*



Return on operating capital, %*

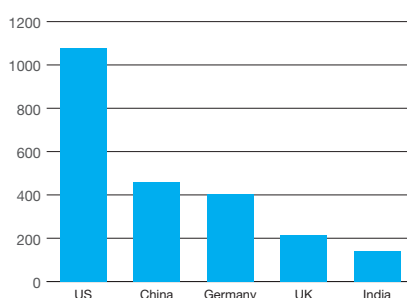


Earnings per share, SEK

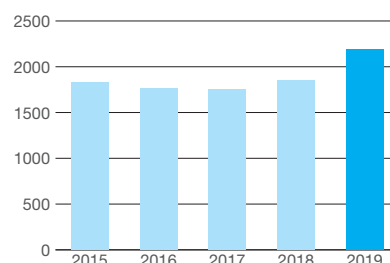


Largest markets in 2019, SEKm

Sales



Average no. of employees



*Nederman Group applies the retroactive approach in relation to IFRS 16 Leases and figures for 2018 are therefore restated pursuant to the new standard. For earlier financial years, IAS 17 Leases was applied in accordance with the accounting policies that applied through 2017. See also accounting policies on pages 93-98.

Risks and risk management

Risks that could significantly impact the Group

Nederman is exposed to a number of risks that could significantly impact the Group's operations, earnings and financial position. Nederman conducts continuous risk assessments that include identifying the risks that impact the Group and taking measures to manage these risks.

Nederman does not calculate the economic value of all risks because many of them are highly complex and interrelated. However, the practical management of these risks is facilitated in several different ways, including through Group-wide policies, business processes, training, internal controls, and processes for the audit and approval of reports, which are all coordinated and monitored by each Group function. The risks are summarised below.

STRATEGIC RISKS

Customer offerings, succession planning, official or sector regulations, fluctuations in the global market.

OPERATING RISKS

Demands on the products' function or quality, competition or technology shifts, IT systems, and production or delivery disruptions.

COMPLIANCE RISKS

Compliance with laws, regulations and Group policies relating to, for example, data confidentiality, competition legislation, corruption, health and safety.

FINANCIAL RISKS

Currency, interest, credit, liquidity, fraud and accounting risks.

Managing the main risks

The main risks described in this report are managed in accordance with Nederman's framework for risk management, which is integrated with the company's business processes. The Board of Directors also reviews the company's risk management.

Strategic risks	Management
Loss of key individuals	Continued succession planning, Management and employee development in order to proactively secure the correct competence and capacity for the future.
Acquisition-related risks	Professional due diligence, division structure to clarify the acquired company's position in the Group, standard onboarding procedures for IT and finance.
Operating risks	Management
Disruptions to critical IT systems	Security upgrades and backups.
Production risks at key sites	Global management system, standardisation of processes – condition for ERP roll-out, update of product documentation, update of IT hardware/ software.
Delivery risk for key components	Production rationalisation project, audits of critical suppliers, increased inventory of key components.
IT projects in progress	Systematic planning, secured internal competence (ERP project), update of outdated hardware and software.
Inferior and inappropriate agreements	Confirm Nederman's contract terms and conditions, training in contract issues, legal review and evaluation of contracts.
External factors, such as fire, extreme weather conditions, natural disasters, war or pandemics	This is managed through preparedness planning and ensuring that vital materials are not purchased from only one supplier.
Compliance risks	Management
Corruption and fraud	<ul style="list-style-type: none"> • Established policies and internal control. • Acceptance letter issued by the CEO, whereby the employee in question confirms in writing, on an annual basis, their knowledge of the Code of Conduct and compliance with the Group's internal control instruments. • Nederman's whistleblower system, which entails that each employee is entitled to report any suspicions of legal or regulatory breaches without reprisal. • Review and evaluation of partner and distribution agreements.
Disregard of laws and permits	<ul style="list-style-type: none"> • Training in policies and regulations. • Formalisation and expansion of the Group's internal control, with a focus on compliance (see above). • Export control process, with a focus on embargoes and trade restrictions.
Health and safety risks relating to, for example, technical defects or deficiencies in Nederman's products	Nederman's overall commitment to quality assurance ensures product quality and function. Ensuring that legal requirements regarding safety, such as the Machinery Directive and the ATEX Directive, are complied with in full.
Financial risks	Management
Underlying weakening of the economy	Preparedness planning.
Price pressure	Differentiation, including digitalisation, logistics rationalisation project.
Currency status	Continued regional balancing of income and expenses, assets and liabilities, currency hedging for major projects.
Brexit	Regular contact between UK sales and EU operations to ensure adequate inventory levels.

Corporate Governance

Nederman Holding AB (publ) is a Swedish public limited company with its registered office in Helsingborg, Sweden. Nederman was listed on the Nasdaq Stockholm Small Cap list in 2007 and has been registered on the Nasdaq Stockholm Mid Cap list since 1 January 2014.

As a listed company, Nederman applies the Swedish Corporate Governance Code (the Code). The Corporate Governance Report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers, the Code, and other applicable Swedish laws and regulations. In addition to rules pursuant to laws or other legislation, Nederman uses internal control instruments that are also the basis for the Group's corporate governance, including the Articles of Association, rules of procedure for the Board of Directors, the terms of reference for the CEO, policy documents and the Group's Code of Conduct.

Governance of the Nederman Group takes place through the shareholders via the General Meeting of Shareholders, the Board of Directors, the CEO and Group management of Nederman in accordance with, among other things, the Swedish Companies Act, other laws and regulations, the Articles of Association and the rules of procedure for the Board of Directors. Considering Nederman's Group structure, the composition of the boards of its operating subsidiaries, which often include representatives from Group management, constitute another element of governance for the Group.

Shareholders

At the end of 2019, the company had 3,928 shareholders. Investment AB Latour was the largest shareholder with 29.98 percent of the shares, while Lannebo Fonder owned 11.03 percent, Ernstrom Kapitalpartner AB owned 10.03 percent and IF Skadeförsäkring AB (publ) owned 9.90 percent. The ten largest shareholders had a total holding corresponding to 79.60 percent of the shares. Foreign investors held 6.27 percent of the shares. For further information about the share and shareholders, see pages 72-73.

Annual General Meeting

The General Meeting of Shareholders is the highest decision-making body, in which the shareholders can exercise their influence by voting on key issues, such as the adoption of the income statement and balance sheet, appropriation of the Company's profit, discharge from liability of Board members and the CEO, the election of Board members, the Chairman of the Board and auditors, and remuneration to the Board of Directors and auditors. The Annual General Meeting was held in Helsingborg on 29 April 2019. A total of 40 shareholders were in attendance at the Meeting, representing 74.60 percent of the shares and votes in the company.

The Meeting adopted the income statement and balance sheet, and the consolidated income statement and balance sheet, resolved to distribute the profit according to the proposal for the

appropriation of profit entailing that a dividend of SEK 2.30 per share be paid for the 2018 financial year, and granted discharge from liability for the Board members and CEO.

The Meeting also authorised the Board to decide that the Company may issue new shares or repurchase the Company's own shares.

The Meeting decided in accordance with the proposal in the notification of the Meeting to elect six Board members, that the fees to be paid to the Board would total SEK 1,580,000, of which SEK 540,000 to the Chairman and SEK 260,000 to each of the other Board members, except the CEO. The fees to the Audit Committee were set at SEK 75,000 to the Chairman and SEK 50,000 to the other committee member. It was furthermore decided that no fees would be paid to the Remuneration Committee and that the auditors would be remunerated on a current account basis. In accordance with the proposal of the Nomination Committee, Johan Hjertonsson, Ylva op den Velde Hammargren, Gunilla Fransson, Johan Menckel and Sven Kristensson were re-elected to the Board, and Sam Strömerstén was elected as a new Board member. Johan Hjertonsson was elected Chairman of the Board.

Nomination Committee

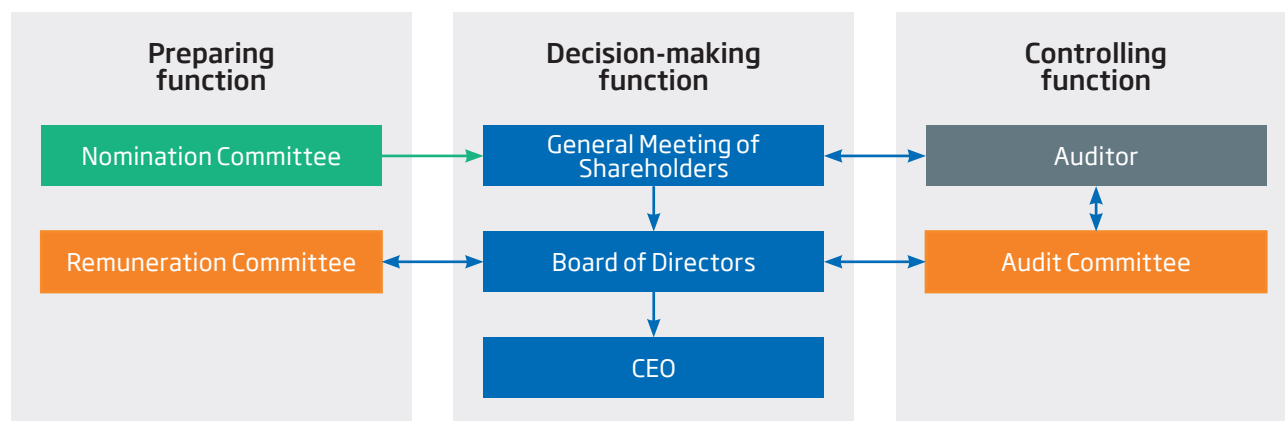
The 2019 Annual General Meeting decided to establish instructions for the Nomination Committee concerning the composition of the committee and its assignments. According to the instructions, the Nomination Committee is to consist of one representative from each of the four largest shareholders and the Chairman of the Board. If any of the four largest shareholders waives their right to appoint a representative to the Nomination Committee, the right will pass to the next largest shareholder. The Nomination Committee's tasks are to prepare proposals, ahead of the next Annual General Meeting, concerning the election of the Chairman of the Board and other Board members, the election of the Chairman of the Meeting, remuneration issues and related issues, and, where applicable, the election of auditors.

According to the guidelines approved by the Annual General Meeting concerning the work of the Nomination Committee, the following individuals have been appointed to the Nomination Committee ahead of the 2020 Annual General Meeting: Anders Mörrck (Investment AB Latour), Chairman; Claes Murander (Lannebo Fonder); Henrik Forsberg Schoultz (Ernström & Co); and Fredrik Ahlin (IF Skadeförsäkring AB (publ)). Johan Hjertonsson, Chairman of Nederman's Board of Directors, is a co-opted member of the Nomination Committee. For questions concerning the work of the Nomination Committee, contact anders.morck@latour.se.

Board of Directors

The Board of Directors is the second highest decision-making body after the General Meeting of Shareholders. The overall assignment of the Board is to decide on the Company's business direction, its resources and capital structure as well as its organisation and

Overall structure of corporate governance in Nederman



management. The Board's general obligations also include continuously evaluating the Company's financial situation and approving the Company's business plan. In its general undertaking, the Board addresses overall issues such as the Company's strategy, acquisitions, major investments, divestments, the publication of annual reports and interim reports, and the appointment of the CEO, etc.

The Board of Directors follows written rules of procedure that are adopted annually at the first Board meeting following election. The rules of procedure stipulate how work is to be divided between Board members, how often the Board is to meet and to what extent deputies are to participate in the work of the Board and attend meetings. The rules of procedure also regulate the Board's obligations, the establishment of a quorum, the division of responsibilities between the Board and the CEO, etc. The Board meets according to an annual schedule that is decided in advance. Extraordinary meetings may be called to address events of unusual importance. In addition to Board meetings, the Chairman of the Board and the CEO conduct an ongoing dialogue with respect to the management of the Company.

Once a year, the entire Board conducts a systematic evaluation of the Company's senior executives. In this context, "senior executives" includes certain deputy managers, meaning a broader group of employees.

In recent financial years, the Board has made decisions concerning several matters of strategic importance. In 2019, special focus was devoted to acquisitions, continued adaptation of the Group's capacity, the Group's strategy for continued expansion and the Group's financial framework and objectives. In 2019, the Board held five minuted meetings. To date, one minuted meeting has been held in 2020. The 2019 Annual General Meeting resolved that a total of SEK 1,580,000 would be paid in directors' fees, with SEK 540,000

paid to the Chairman of the Board and SEK 260,000 to each of the other members elected by the Annual General Meeting, with the exception of the CEO. It was furthermore resolved that a fee of SEK 75,000 would be paid to the Chairman of the Audit Committee and SEK 50,000 to the other committee member, and that the auditors would be remunerated on a current account basis. No fees are paid to the Remuneration Committee.

The Annual General Meeting elects Board members annually for the period until the next Annual General Meeting is held. The Board of Directors is to consist of at least three and no more than eight ordinary members and may be supplemented with a maximum of three deputies. In addition, there may be employee representatives. The members elected by the Annual General Meeting are all independent in relation to the major shareholders and, with the exception of the CEO, in relation to the Company and Company management. The Board meets the requirements of the Code with respect to independent members. The members are presented on page 86 and at nedermangroup.com.

The main shareholders and Board members carry out a detailed annual evaluation of the Board. Among other things, the evaluation includes the Board's composition, individual Board members and the Board's work and procedures. The Nomination Committee has reviewed the written evaluation of the work of the Board and has received a report on the work of the Board from the Chairman of the Board.

Nederman's Board of Directors consists of six members elected by the 2019 Annual General Meeting. The CEO is a member of the Board. The CFO is not a member of the Board but, as a rule, participates in Board meetings by presenting information. The Chairman of the Board does not participate in the operational management of the Company.

Attendance at Board meetings

Johan Hjertzonsson	5 of 5
Ylva op den Velde Hammargren	4 of 5
Gunilla Fransson	5 of 5
Johan Menckel	5 of 5
Sam Strömerstén	3 of 3
Sven Kristensson	5 of 5

CEO

The division of activities between the Board and the CEO is regulated by the rules of procedure for the Board and in the terms of reference for the CEO. The CEO is responsible for implementing the business plan as well as the day-to-day management of the Company's affairs and the daily operations of the Company. This means that the CEO makes decisions on those issues that can be considered to fall under the day-to-day management of the Company. The CEO may also take action without the authorisation of the Board in matters which, considering the scope and nature of the Company's business, are unusual or of great importance, which cannot await a decision by the Board without seriously compromising the Company's business activities. The terms of reference for the CEO also regulate the CEO's responsibility for reporting to the Board. The Board receives a monthly written report containing a follow-up of the Company's order statistics, sales, operating results, working capital developments, income statement, financial position and cash flow statement. The report also contains comments from the CEO and CFO, for example, regarding the various markets.

Every year, the senior executives formulate a strategy proposal, which is discussed and adopted at the Board meeting held about halfway through the year. Work on the business plan (including the budget for the coming year) is usually carried out from the bottom up and based on the strategy adopted by the Board of Directors. The CEO and the CFO present the business plan proposal to the Board of Directors. After the Board discusses the business plan, it is usually adopted at the last meeting during the autumn. Moreover, the Company usually issues an updated forecast at the end of each quarter in conjunction with the quarterly reports.

Committees

Questions about salary and benefits for the CEO and management are addressed and approved by a Remuneration Committee. This committee consists of Johan Hjertzonsson and Johan Menckel. The committee is a body within the Company's Board assigned to draft matters for the Board related to remuneration and other terms of employment for Company management. The committee is also tasked with preparing guidelines regarding remuneration for senior executives, which the Board then presents as a proposal to the Annual General Meeting. The Remuneration Committee held one minuted meeting in 2019.

The 2019 Annual General Meeting resolved on principles for remuneration to the CEO and Company management, which is presented in greater detail in the section "Remuneration to the Board of Directors and senior executives" below.

The 2019 Annual General Meeting resolved that Nederman is to have an Audit Committee. The main purpose of the Audit Committee is to supervise the Group's financial accounting and reporting and the audit of the annual accounts. The Audit Committee's tasks

include, among other things, responsibility for the preparation of the Board's work to ensure the quality of the financial reporting by reviewing the interim reports, annual report and consolidated financial statements. The Audit Committee is also tasked with preparing matters regarding the procurement of audit services and other services from the auditor and preparing certain accounting and audit matters to be dealt with by the Board. The work of the Audit Committee is governed by rules of procedure adopted by the Board of Directors. The Committee convened on five occasions in 2019. The Company's auditor participated on these occasions. The Company's auditor informed the Board of the results of its work and presented report on the year's audit and its view of the Company's internal control system without the presence of any members of Company management. In 2019, the Audit Committee consisted of Board members Ylva op den Velde Hammargren and Sam Strömerstén. The Annual General Meeting resolved that the fees to the Audit Committee would be set at SEK 75,000 to the Chairman and SEK 50,000 to the other committee member.

The 2019 Annual General Meeting decided to establish instructions for the Nomination Committee concerning the composition of the committee and its assignments. The Nomination Committee is to comprise the Chairman of the Board and four representatives. Once a year the committee is to convene the major shareholders well in advance of the Annual General Meeting in order to gain support for proposals concerning the Annual General Meeting's election of a new Board of Directors.

Auditor

The auditor audits the Company's annual report and accounting as well as the management of the Board of Directors and the CEO. The auditor submits an audit report to the General Meeting of Shareholders after each financial year. From 2011, the Annual General Meeting appoints an auditor for a period of one year. At the Annual General Meeting on 29 April 2019, Ernst & Young AB was elected until the close of the 2020 Annual General Meeting, with Staffan Landén as lead auditor. Staffan Landén is an Authorised Public Accountant and member of FAR, the Swedish Institute of Authorised Public Accountants. Staffan Landén has many years of experience in auditing listed companies and major international assignments. He is currently lead auditor for Vattenfall AB, Alfa Laval AB, Ambea AB, Moment Group AB, Polygon AB and Thomas Concrete Group AB, among others. Staffan Landén is an appointed Exchange Auditor by Nasdaq Stockholm. The Company's auditor audits the annual accounts and financial statements and the Company's ongoing operations and procedures to provide an opinion on the accounting and management of the Board of Directors and the CEO. The annual accounts and financial statements are reviewed during January and February. Staffan Landén does not have any assignments in companies over which Nederman's principal shareholders, Board members or CEO have any material influence. Fees to Ernst & Young AB for assignments other than auditing amounted to SEK 0.3m in 2019 and pertains mainly to tax consultancy and auditing-related services.

Remuneration to the Board of Directors and senior executives

The 2019 Annual General Meeting adopted a policy regarding remuneration and employment terms for 2019. The following main principles are applied: Fixed salary is paid for work performed. In

addition, variable remuneration may be earned that is linked to the Company's performance and tied-up capital. Variable remuneration can amount to a maximum of 30 to 50 percent of the annual fixed salary, depending on the individual's position in the Company.

The CEO's pension plan is premium-based and the annual premium corresponds to maximum 35 percent of the pension based salary. Pension payments for other senior executives is based on a contractual ITP plan with exception for three member where the premiums corresponds to maximum 30 percent of the fixed salary, the individual concerned is subject to defined benefit pension or under mandatory collective agreement provisions. Variable remuneration shall qualify for pension benefits. If the CEO resigns, the term of notice is six months. If dismissed by the Company, the CEO has the right to receive an amount corresponding to 18 to 24 months' salary (the final six months are dependent on new employment). For others members of management, the term of notice is 12 months if the Company gives notice of dismissal, and six months if the employee resigns. There are no agreements between Board members or senior executives and Nederman or any of its subsidiaries concerning benefits after the end of their employment.

The Annual General Meeting held on 29 April 2019 approved the Board's proposal that the annual programmes for variable remuneration should be supplemented with a long-term incentive (LTI) programme. Consequently, the 2019-2020 LTI programme has been established for a period of two years and is targeted in a way that makes it particularly favourable for the Company's shareholders. The outcome of the LTI programme for senior executives (net of income tax) is to be reinvested in the warrants in Nederman or in Nederman shares on the stock exchange. Warrants or Nederman shares are subject to approval by the relevant future Annual General Meeting of Nederman. The reinvested shares and warrants are expected be retained by the senior executive during his or her term of employment and for at least three years. The 2019-2020 LTI programme covers two years and may amount to a maximum of 35 percent of annual salary for the CEO and 20 percent of annual salary for other senior executives.

Internal control

Control environment. Operational decisions are made at the company or business area level, while decisions about strategy, aims, acquisitions and comprehensive financial issues are made by the parent company's Board and Group management. The internal controls within the Group are designed to function in this organisation. The Group has clear rules and regulations for delegating responsibility and authority in accordance with the Group's structure. The

platform for internal controls of financial reporting consists of the comprehensive control environment and organisation, decision processes, authorisations and responsibilities which have been documented and communicated. In the Group, the most significant components are documented in the form of instructions and policies, including a financial manual, ethics policy (Code of Conduct), communication policy, IT policy, financial policy, privacy policy and authorisation lists. Nederman has a simple legal and operational structure and established management and internal control systems. The Board of Directors follows up on the assessment of the internal control, including through contacts with the Nederman's auditors. The Board of Directors has chosen not to have a special internal audit.

Control activities. To safeguard the internal controls, there are both automated controls, such as authorisation controls in the IT system and approval controls, as well as manual controls such as auditing and stock-taking. Financial analyses of the results as well as follow-up of plans and forecasts are used to supplement the controls and give a comprehensive confirmation of the quality of the reporting.

Information and communication. Documentation of governing policies and instructions are continuously updated and communicated in electronic or printed format. For communications with external parties, there is a communication policy that contains guidelines for ensuring that the Company's information obligations are applied fully and correctly.

Follow-up. The CEO is responsible for ensuring that the internal controls are organised and followed up according to the guidelines decided on by the Board. Financial management and control is carried out by the Group's finance function. Financial reporting is analysed monthly and at a detailed level. The Board has addressed the Company's financial position at its meetings and has also received reports and observations from the Company's auditor.

Articles of Association

The Articles of Association stipulate the Company's activities, the number of Board members and auditors, how notification of the Annual General Meeting is to be made, the matters to be addressed at the Annual General Meeting and where the Meeting is to be held. The current Articles of Association were adopted at the Annual General Meeting on 26 April 2011, and can be found on the Company's website at www.nedermangroup.com and in the annual report for 2019 on page 146.

The Board of Directors' proposal for guidelines for executive remuneration

The Board of Directors of Nederman Holding Aktiebolag ("Nederman" or the "company") proposes that the annual general meeting 2020 resolves on the following guidelines for executive remuneration.

Nederman's Group management fall within the provisions of these guidelines. The guidelines are forward-looking and as such are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2020. These guidelines do not apply to any remuneration decided or approved by the general meeting.

The guidelines' promotion of Nederman's business strategy, long-term interests and sustainability

In short, the company's business strategy is to be "the Clean Air Company", and to use Nederman's industrial air filtration expertise and solutions and services to protect people, planet and production from the harmful effects of industrial processes. In this way, Nederman helps to create safer workplaces, efficient production and provide significant environmental benefits. A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. The objective of Nederman's guidelines for executive remuneration is therefore to offer competitive remuneration on market terms, so that competent and skillful personnel can be attracted, motivated and retained. These guidelines enable the company to offer the executive management competitive total remuneration. For more information regarding the company's business strategy, please see www.nedermangroup.com.

A long-term share-related incentive plan has been implemented in the company. The plan has been proposed to and resolved by the general meeting every other year, and was last resolved by the 2019 general meeting and is therefore excluded from these guidelines. The plan incorporates Group management members. The performance criteria used to assess the outcome of the plan is total earnings per share and is thereby distinctly linked to the business strategy and the company's long-term value creation, including its sustainability. The plan is further conditional upon a holding period of at least three years.

Types of remuneration, etc.

The remuneration shall be on market terms and may consist of the following components: fixed salary, variable remuneration, pension benefits and other benefits. Additionally, the general

meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration. The remuneration committee shall monitor and evaluate remuneration for the executive management however all remuneration for the CEO is approved by the Board of Directors.

FIXED SALARY

Fixed salary is paid for satisfactory work.

VARIABLE REMUNERATION

The variable remuneration shall be linked to predetermined, well-defined and measurable financial criteria. The satisfaction of criteria for awarding variable remuneration shall be measured over a period of one year. The variable remuneration may amount to not more than 50 per cent of the total fixed salary under the measurement period for the CEO and not more than 30 per cent of the total fixed salary under the measurement period for other senior executives. The criteria for variable remuneration shall mainly relate to the Group's profitability and working capital development. In addition, individual criteria may be established. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability and since Nederman's business strategy is to be "the Clean Air Company" by protecting people, planet and production from the harmful effects of industrial processes, the criteria for variable remuneration, which are connected to the sale of the company's solutions and services within industrial air filtration, will inevitably contribute to the company's long-term interest and sustainability.

OTHER VARIABLE REMUNERATION

Further variable remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 50 per cent of the fixed annual salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the Board of Directors based on a proposal from the remuneration committee.

PENSION BENEFITS

For the CEO, pension benefits shall be premium defined. The pension premiums for premium defined pension shall amount to not more than 35 per cent of the pension based salary. For other executives, pension benefits shall be based on a contractual ITP plan or be premium defined, unless the individual concerned is subject to defined benefit pension under mandatory collective

agreement provisions. Variable cash remuneration shall qualify for pension benefits. Pension premiums that follow from the contractual ITP plan or are premium defined, shall amount to not more than 35 per cent of the pension based salary, unless other premium levels apply according to applicable ITP plan.

For employment governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

OTHER BENEFITS

Other benefits may include, for example, life insurance, health and medical insurance and company cars. Such benefits may amount to not more than 20 per cent of the fixed annual salary.

Criteria for awarding variable remuneration, etc.

The remuneration committee shall monitor and evaluate programs for variable remuneration for the executive management. To which extent the criteria for awarding variable remuneration has been satisfied shall be evaluated when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable remuneration to other executives, the CEO is responsible for the evaluation. For financial criteria, the evaluation shall be based on the latest financial information made public by the company. Variable cash remuneration can be paid after the completion of a measurement period or be subject to deferred payment. The Board of Directors shall have the possibility, under applicable law or contractual provisions, to in whole or in part reclaim variable remuneration paid on incorrect grounds (claw-back).

Termination of employment

The notice period may not exceed twenty four months if notice of termination of employment is made by the company for the CEO and twelve months for other executives. Fixed salary during the period of notice and severance pay may together not exceed an amount equivalent to the CEO's fixed salary for two years, and one year for other executives. When termination is made by the executive, the notice period may not exceed six months, without any right to severance pay.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions

for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has previously established a remuneration committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the remuneration committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the remuneration committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Transitional provisions applicable for annual general meeting 2020

The total expensed remuneration to senior executives, including previous commitments not yet due for payment is reported in the Annual Report 2019 in note 22.

Board of Directors



JOHAN HJERTENSSON (1968)

M.Sc. in Business Administration
Swedish citizen
Chairman of the Board since 2019.
Elected 2018.
Member of the Remuneration Committee.
Current activities: President and CEO and member of the Board of Investment AB Latour. Chairman of Swegon Group AB, Hultafor Group AB, Nord-Lock International AB, Caljan AS and Latour Industries AB.
Member of the Board of Sweco AB.
Previous key roles: President and CEO of AB Fagerhult.
Shareholding: Holds 5,000 shares in Nederman.
Dependency: Dependent in relation to the Company's major shareholders.



GUNILLA FRANSSON (1960)

M.Sc. Eng. and Licentiate Technology.
Swedish citizen
Elected by the Annual General Meeting.
Elected 2016.
Current activities: Chairman of NetInsight AB.
Member of the Board of Dunkerintressena, Eltel AB, Enea AB, Trelleborg AB, Permobil AB, Weibel ScientificA/S and Nilar AB.
Previous key roles: Various management positions within Saab AB and Ericsson AB.
Shareholding: Holds 800 shares in Nederman.
Dependency: Independent.



YLVA OP DEN VELDE HAMMARGREN (1966)

M.Sc. Eng. Mining Engineering
Swedish citizen
Elected by the Annual General Meeting.
Elected 2011.
Chairman of the Audit Committee.
Current activities: Manager Product Line Management Engine, Vehicle Service Market at AB SKF.
Member of the Board of Södra since 2017.
Previous key roles: -
Shareholding: Does not hold shares in Nederman.
Dependency: Independent.



SVEN KRISTENSSON (1962)

The Swedish Air Force. University of Linköping.
Swedish citizen
Elected by the Annual General Meeting.
Elected 2008.
Current activities: President and CEO of Nederman Holding AB.
Chairman of the Board of BK Pac AB, Diedenporten AB, Scanbur A/S and Kristensson Holding AB.
Vice Chairman of the Board of Dr P Håkonssons stiftelser.
Member of the Board of Swegon AB.
Previous key roles: Various positions in medical technology (Group management of Getinge AB), and packaging (Group management of AB Åkerlund & Rausing), among others.
Shareholding: Holds 332,158 shares in Nederman.
Dependency: Dependent in relation to the Company.



JOHAN MENCKEL (1971)

M.Sc. Industrial Economics, Royal Institute of Technology (KTH)
Swedish citizen
Elected by the Annual General Meeting.
Elected 2016.
Member of the Remuneration Committee.
Current activities: President and CEO of Gränges AB.
Member of the Board of Saab AB.
Member of the Steering Committee of the World Materials Forum.
Previous key roles: Member of the Board of the Swedish Chamber of Commerce in China. CEO of Sapa Heat Transfer. Management Consultant at Accenture and founder of addnature.com.
Shareholding: Holds 4,000 shares in Nederman.
Dependency: Independent



SAM STRÖMERSTÉN (1955)

M.Sc. Eng. Mechanical Engineering LTH80
Swedish citizen
Elected by the Annual General Meeting.
Elected 2019.
Member of the Audit Committee.
Current activities: -
Previous key roles: CEO & President of Sidel, EVP Supply Chain at Tetra Pak and EVP Processing Systems at Tetra Pak
Shareholding: Does not hold shares in Nederman.
Dependency: Independent.

Group management



SVEN KRISTENSSON (1962)

President and CEO

Employed 2001. Swedish citizen.

Education: The Swedish Air Force. University of Linköping.

Current activities: President and CEO of Nederman Holding AB. Chairman of the Board of BK Pac AB, Diedenporten AB, Scanbur A/S and Kristensson Holding AB. Vice Chairman of the Board of Dr P Håkonssons stiftelser. Member of the Board of Swegon AB.

Shareholding: 332,158



MATTHEW CUSICK (1977)

SVP, CFO

Employed 2011. Swedish/UK citizen.

Education: B.A. Accounting and Finance

Current activities: No other activities

Shareholding: 1,406



HANS DAHLÉN (1968)

SVP, Head of Division Extraction & Filtration Technology

Employed 2013. Swedish citizen.

Education: M.Sc. Eng. Chemical Engineering

Current activities: No other activities

Shareholding: 3,860



KETIL GORM PAULSEN (1961)

SVP, Head of Division Monitoring & Control Technology

Employed 2020. Norwegian citizen.

Education: M.Sc. Physics/Civil Engineer, Master of Management

Current activities: Member of the Board of Northern Lights Sensors AS

Shareholding: Does not hold shares in Nederman.



JEPPE RASMUSSEN (1962)

SVP, Head of Division Duct & Filter Technology

Employed 2019. Danish citizen.

Education: M.Sc. Ph.D. Marine Engineering

Current activities: Member of the Board of Norlys Energi A/S, Grafisk Maskinfabrik A/S and New Nordic Engineering A/S.

Shareholding: Does not hold shares in Nederman.



TOMAS HAGSTRÖM (1976)

SVP, Head of Division Process Technology

Employed 2017. Swedish/US citizen.

Education: M.Sc. Eng. Electrical Engineering, B.Sc. in Business Economics and MBA

Current activities: No other activities

Shareholding: Holds 540 shares in Nederman.



KRISTIAN LEXANDER (1975)

SVP, CIO

Employed 2018. Swedish citizen.

Education: International Business College, Napier University Edinburgh

Current activities: No other activities

Shareholding: 966



EVA CARIN SVENSSON (1964)

SVP, Human Resources

Employed 2009. Swedish citizen.

Education: B.Sc. Human Resources Management & Labour Relations

Current activities: No other activities

Shareholding: 4,975



ERIK WAHN (1980)

SVP, Corporate Strategy & Business Development

Employed 2019. Swedish citizen.

Education: MBA, Economics and Management

Current activities: Chairman of the Board of pej AB. Member of the Board of Senzum AB

Shareholding: Does not hold shares in Nederman.

Consolidated income statement

SEKm	Note	1 January - 31 December	
		2019	2018
Net sales	2, 3	4,307.7	3,553.9
Cost of goods sold	10	-2,716.4	-2,221.9
Gross profit		1,591.3	1,332.0
Other operating income	5	15.4	22.3
Selling expenses	10	-828.8	-730.6
Administrative expenses	10	-342.8	-252.1
Research and development expenses	10	-65.2	-44.1
Acquisition costs	4, 10	-5.9	-13.2
Other operating expenses	6, 10	-20.8	-8.6
Operating profit	3, 7, 8, 9, 22	343.2	305.7
Financial income		8.4	5.0
Financial expenses		-44.3	-43.2
Net financial items	11	-35.9	-38.2
Profit before tax		307.3	267.5
Taxes	12	-81.5	-64.7
Net profit for the year		225.8	202.8
Net profit attributable to:			
Parent company's shareholders		225.8	202.8
Earnings per share	20		
before dilution (SEK)		6.43	5.78
after dilution (SEK)		6.43	5.78

Consolidated statement of comprehensive income

SEKm	Note	1 January - 31 December	
		2019	2018
Net profit for the year		225.8	202.8
Other comprehensive income			
Items that cannot be reclassified to the income statement			
Revaluation of defined-benefit pension plans	22	-62.4	-15.5
Tax attributable to items that cannot be reclassified to net profit		13.5	3.8
		-48.9	-11.7
Items that have been or can be reclassified to net profit			
Exchange differences arising on translation of foreign operations		46.8	54.3
Cash flow hedging	19	0.0	-0.1
Tax relating to items that can be reclassified to the income statement	19	-	0.0
		46.8	54.2
Other comprehensive income for the year, net after tax		-2.1	42.5
Total comprehensive income for the year		223.7	245.3
Total comprehensive income attributable to:			
Parent company's shareholders		223.7	245.3

Consolidated statement of financial position

SEKm	Note	2019	2018
Assets	4, 27		
Intangible fixed assets	13	2,037.4	1,444.9
Tangible fixed assets	14	335.3	311.6
Right-of-use assets	15	257.7	211.0
Long-term receivables		5.3	12.3
Deferred tax assets	12	8.2	20.4
Total fixed assets		2,643.9	2,000.2
Inventories	17	610.3	562.0
Tax assets	12	82.8	75.7
Accounts receivable	26	619.3	578.8
Prepaid expenses and accrued income	18	61.6	34.4
Other receivables	16	283.3	305.5
Cash and cash equivalents	29	445.3	463.9
Total current assets		2,102.6	2,020.3
Total assets	3	4,746.5	4,020.5
Equity	19		
Share capital		1.2	1.2
Other capital contributed		345.9	345.9
Reserves		134.0	87.2
Retained earnings including net profit		897.1	800.6
Equity attributable to the parent company's shareholders		1,378.2	1,234.9
Total equity		1,378.2	1,234.9
Liabilities	4, 27		
Long-term interest-bearing liabilities	21, 26	1,575.6	917.4
Long-term lease liabilities	21, 26	208.4	174.6
Other long-term liabilities	24	4.9	231.7
Pension provisions	22	153.1	90.9
Other provisions	23	21.0	17.1
Deferred tax liabilities	12	22.9	29.4
Total long-term liabilities		1,985.9	1,461.1
Current interest-bearing liabilities	21, 26	5.0	8.1
Current lease liabilities	21, 26	67.3	60.5
Accounts payable	26	423.2	444.6
Current tax liabilities	12	105.5	88.1
Other liabilities	24	553.4	533.1
Accrued expenses and prepaid income	25	201.8	162.0
Provisions	23	26.2	28.1
Total current liabilities		1,382.4	1,324.5
Total liabilities	3	3,368.3	2,785.6
Total equity and liabilities		4,746.5	4,020.5

For information on the Group's pledged assets and contingent liabilities, see note 27.

Consolidated statement of changes in equity

SEKm	Equity attributable to the parent company's shareholders					Total equity
	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Retained earnings incl. this year's profit	
Opening equity 2018-01-01	1.2	345.9	31.7	1.3	695.7	1,075.8
Transition effect IFRS 16	-	-	-	-	-15.0	-15.0
Net profit for the year	-	-	-	-	202.8	202.8
Other comprehensive income	-	-	-	-	-	-
Change in translation reserve for the year	-	-	54.3	-	-	54.3
Cash flow hedging after tax	-	-	-	-0.1	-	-0.1
Revaluation of defined- benefit pension plans, net after tax	-	-	-	-	-11.7	-11.7
Total other comprehensive income	-	-	54.3	-0.1	-11.7	42.5
Total comprehensive income for the year	-	-	54.3	-0.1	176.1	230.3
Transactions with Group's owners	-	-	-	-	-	-
Dividend paid	-	-	-	-	-70.2	-70.2
Share-based remuneration	-	-	-	-	-1.0	-1.0
Closing equity 2018-12-31	1.2	345.9	86.0	1.2	800.6	1,234.9
Opening equity 2019-01-01	1.2	345.9	86.0	1.2	800.6	1,234.9
Net profit for the year	-	-	-	-	225.8	225.8
Other comprehensive income	-	-	-	-	-	-
Change in translation reserve for the year	-	-	46.8	-	-	46.8
Cash flow hedging after tax	-	-	-	0.0	-	0.0
Revaluation of defined- benefit pension plans, net after tax	-	-	-	-	-48.9	-48.9
Total other comprehensive income	-	-	46.8	0.0	-48.9	-2.1
Total comprehensive income for the year	-	-	46.8	0.0	176.9	223.7
Transactions with Group's owners	-	-	-	-	-	-
Dividend paid	-	-	-	-	-80.7	-80.7
Share-based remuneration	-	-	-	-	0.3	0.3
Closing equity 2019-12-31	1.2	345.9	132.8	1.2	897.1	1,378.2

Consolidated cash flow statement

SEKm	Note	1 January - 31 December 2019	2018
Operating activities			
Operating profit		343.2	305.7
Adjustment for:			
Depreciation and amortisation of fixed assets		146.7	121.2
Other adjustments	29	-0.8	-10.4
Interest received		4.0	4.7
Interest paid		-40.5	-41.3
Income tax paid		-77.8	-36.0
Cash flow from operating activities before changes in working capital		374.8	343.9
Cash flow from changes in working capital			
Increase (-)/Decrease (+) of inventories		22.2	-54.0
Increase (-)/Decrease (+) of operating receivables		28.2	-40.4
Increase (-)/Decrease (+) of operating liabilities		-103.9	21.9
		-53.5	-72.5
Cash flow from operating activities		321.3	271.4
Investing activities			
Capital expenditure for tangible fixed assets		-42.8	-23.7
Sales of tangible fixed assets		2.4	11.9
Capital expenditure for capitalised development costs		-15.6	-5.7
Capital expenditure for other intangible fixed assets		-34.5	-33.1
Acquisition of subsidiaries/business, net of cash	4	-656.6	-66.7
Change in financial assets		0.9	-
Cash flow from investing activities		-746.2	-117.3
Financial activities			
New loans		1,689.1	223.0
Change in interest-bearing liabilities		0.4	-0.6
Amortisation of loans		-1,137.1	-161.8
Amortisation of lease liabilities		-67.0	-56.8
Dividend paid to parent company shareholders		-80.7	-70.2
Cash flow from financing activities		404.7	-66.4
Cash flow for the year		-20.2	87.7
Cash and cash equivalents at the beginning of the year		463.9	360.9
Translation differences		1.6	15.3
Cash and cash equivalents at the end of the year	29	445.3	463.9

1 Accounting policies

Nederman Holding AB (publ), corporate registration number 556576-4205, which is the parent company of the Nederman Group, has its registered office in Helsingborg, Sweden.

COMPLIANCE WITH LAWS AND STANDARDS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). In addition, RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, has been applied. Nederman Holding AB's annual accounts and consolidated financial statements were approved and signed by the Board on 11 March 2020. The income statement, balance sheet and statement of comprehensive income for the parent company, and the consolidated income statement, statement of comprehensive income and consolidated statement of financial position will be subject to adoption by the Annual General Meeting to be held on 27 April 2020.

CHANGES THAT HAVE BEEN APPLIED SINCE 1 JANUARY 2019

In this annual report, the Group has applied for the first time the new and amended standards and interpretations that are to be applied for financial years beginning 1 January 2019 or later. No new or amended IFRS has been applied in advance.

IFRS 16 Leases

IFRS 16, which is to be applied for financial years commencing on 1 January 2019, supersedes IAS 17 Leases and related interpretations. IFRS 16 establishes policies for the recognition, measurement, presentation and disclosure of leases and states that lessees must report leases in the statement of financial position. This recognition model is based on the view that the lessee has a right to use an asset for a specific period of time and at the same time an obligation to pay for that right. This means that at the initial date, a right-of-use asset that represents the right to use the underlying asset during the lease term and a lease liability that represents the present value of future lease payments are to be recognised. Depreciation for the right-of-use assets and interest expenses for the lease liability are recognised in the consolidated income statement and in other comprehensive income. After the initial date, the lease liability is remeasured so that it reflects changes in the lease payments, such as a change in the lease term or a change in future lease payments resulting from indexation. The remeasurement amount is recognised as an adjustment of the right-of-use asset.

Nederman's primary asset class is properties, such as factories and offices, but also machinery, vehicles and equipment. The standard contains two exceptions for reporting in the statement of financial position, which Nederman applies: short-term leases (lease term of 12 months or less) and leases for which the underlying asset has a low value (USD 5,000). These lease payments are recognised as operating expenses in the income statement and are therefore not included in the right-of-use asset or the lease liability.

The definitions according to IFRS 16 are applied when assessing whether a contract contains a leased asset. A right-of-use asset is defined as an identified asset for which Nederman essentially is entitled to the economic benefits arising from the use of the asset and where Nederman has the right to control the use of the asset. The lease term is determined on the basis of the non-cancellable period according to the lease. If the lease contains an extension option and there is reasonable certainty that this will be utilised, the lease term applied consists of the non-cancellable period plus the assessed period of extension. In assessing the period of extension, circumstances are taken into consideration such as financial incentives in such a manner that existing lease terms are compared with estimated market rents, whether significant improvements have been made to the property and whether costs would arise in relation to any move to new premises.

The discount rate primarily consists of the rate implicit in the lease if it is available according to the lease. For other leases, the discount rate is the incremental borrowing rate. The incremental borrowing rate consists of an interest margin based on the lessee's (subsidiary within the Group) credit rating and an interest rate benchmark (IBOR) for the specific currency and the term of the lease asset. Leases for which the underlying asset is sublet to a third party, and the main lease between Nederman and the principal lessor continues to apply, are recognised as a financial asset, which comprises a receivable from a third party, and a lease liability, which comprises a liability to the principal lessor.

In the transition to IFRS 16, the Group has applied a retrospective approach, which means that the figures for the 2018 financial year have been restated in accordance with the new standard. Thus, the opening balances for 2018 have been restated and the cumulative effect of applying IFRS 16 retrospectively is recognised as of 1 January 2018 as a transition effect in equity. The transition to IFRS 16 has had the following effect on the Group's income statement, statement of financial position, cash flow and performance measures:

				1 Jan-31 Dec, 2018		
Effect on the consolidated income statement, SEKm				Previously published accounts	IFRS 16 adjustments	Restated accounts
Net sales				3,553.9	-	3,553.9
Cost of goods sold				-2,227.0	5.1	-2,221.9
Gross profit				1,326.9	5.1	1,332.0
Selling expenses				-735.2	4.6	-730.6
Administrative expenses				-253.0	0.9	-252.1
Research and development expenses				-44.3	0.2	-44.1
Other operating income/expenses				0.5	-	0.5
Operating profit				294.9	10.8	305.7
Net financial items				-26.9	-11.3	-38.2
Profit before tax				268.0	-0.5	267.5
Taxes				-64.8	0.1	-64.7
Net profit				203.2	-0.4	202.8

				1 January, 2018			31 December, 2018		
Effect on the consolidated financial position, SEKm				Previously published accounts	IFRS 16 adjustments	Restated accounts	Previously published accounts	IFRS 16 adjustments	Restated accounts
Assets									
Right-of-use assets	-	179.0	179.0	-	211.0	211.0	-	211.0	211.0
Long-term receivables	5.4	6.6	12.0	6.6	5.7	12.3	6.6	5.7	12.3
Deferred tax assets	16.8	-	16.8	20.3	0.1	20.4	20.3	0.1	20.4
Other fixed assets	1,449.1	-	1,449.1	1,755.5	1.0	1,756.5	1,755.5	1.0	1,756.5
Total fixed assets	1,471.3	185.6	1,656.9	1,782.4	217.8	2,000.2	1,782.4	217.8	2,000.2
Other current receivables	222.4	1.2	223.6	414.3	1.3	415.6	414.3	1.3	415.6
Other current assets	1,277.2	-	1,277.2	1,604.7	-	1,604.7	1,604.7	-	1,604.7
Total current assets	1,499.6	1.2	1,500.8	2,019.0	1.3	2,020.3	2,019.0	1.3	2,020.3
Total assets	2,970.9	186.8	3,157.7	3,801.4	219.1	4,020.5	3,801.4	219.1	4,020.5
Equity	1,075.8	-15.0	1,060.8	1,250.3	-15.4	1,234.9	1,250.3	-15.4	1,234.9
Liabilities									
Long-term lease liabilities	0.3	152.0	152.3	0.4	174.2	174.6	0.4	174.2	174.6
Other long-term liabilities	1,125.8	-	1,125.8	1,286.5	-	1,286.5	1,286.5	-	1,286.5
Total long-term liabilities	1,126.1	152.0	1,278.1	1,286.9	174.2	1,461.1	1,286.9	174.2	1,461.1
Current lease liabilities	0.1	49.8	49.9	0.2	60.3	60.5	0.2	60.3	60.5
Other current liabilities	768.9	-	768.9	1,264.0	-	1,264.0	1,264.0	-	1,264.0
Total current liabilities	769.0	49.8	818.8	1,264.2	60.3	1,324.5	1,264.2	60.3	1,324.5
Total liabilities	1,895.1	201.8	2,096.9	2,551.1	234.5	2,785.6	2,551.1	234.5	2,785.6
Total equity and liabilities	2,970.9	186.8	3,157.7	3,801.4	219.1	4,020.5	3,801.4	219.1	4,020.5

1 Jan-31 Dec, 2018

Effect on the consolidated cash flow statement, SEKm	Previously published accounts	IFRS 16 adjustments	Restated accounts
Operating profit	294.9	10.8	305.7
Adjustment for:			
Depreciation and amortisation of fixed assets	63.9	57.3	121.2
Interest paid and other financial items	-25.3	-11.3	-36.6
Cash flow from other operating activities	-118.9	-	-118.9
Cash flow from operating activities	214.6	56.8	271.4
Cash flow from investing activities	-117.3	-	-117.3
Cash flow before financing activities	97.3	56.8	154.1
Cash flow from financing activities	-9.6	-56.8	-66.4
Cash flow for the period	87.7	-	87.7

1 Jan-31 Dec, 2018

Effect on key figures, SEKm	Previously published accounts	Restated accounts
EBITDA	358.8	426.9
Adjusted EBITDA	372.0	440.1
Adjusted EBITDA margin, %	10.5	12.4
Operating profit	294.9	305.7
Operating margin, %	8.3	8.6
Adjusted operating profit	308.1	318.9
Adjusted operating margin, %	8.7	9.0
Profit before tax	268.0	267.5
Net profit	203.2	202.8
Earnings per share, SEK	5.79	5.78
Return on equity, %	17.5	17.7
Return on operating capital, %	17.8	16.5
Net debt	553.1	787.6
Net debt/equity ratio, %	44.2	63.8
Net debt/Adjusted EBITDA, multiple	1.5	1.8
Interest cover ratio, multiple	9.8	7.5

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 is an interpretation of uncertainty over the treatment of income tax within the framework of IAS 12 Income Taxes. An assessment is made of the probability that a tax agency or court will accept the tax treatment in the declaration of income. Otherwise, the effect of the uncertainty is estimated and recognised in the financial statements as a tax liability. This entails that tax expenses that are likely to be required to settle the obligation are recognised from 2019 as a tax liability instead of a provision. The implementation of IFRIC 23 did not entail any changed classification for the Nederman Group, since there were no provisions related to income tax risks at the beginning of 2019.

CHANGES THAT COME INTO EFFECT IN 2020 AND ONWARDS

A number of new and amended IFRS have not yet come into force and have not been applied in advance in the preparation of the Group's financial reports. The IFRS that will come into force in the coming financial year are described below.

IFRS 3 Business Combinations

The revised definition of a business combination and the classification of acquisitions as either an asset acquisition or a business combination will be applied to transactions that occur as of the financial year commencing 1 January 2020 or later.

IAS 1 Presentation of Financial Statements.

The definition of the term "material" has been harmonised and clarified, and pertains to information that can reasonably be expected to affect primary users of the financial statements. The revised definition is applied as of the financial year commencing 1 January 2020 or later.

MEASUREMENT BASES APPLIED WHEN PREPARING THE FINANCIAL STATEMENTS OF THE PARENT COMPANY AND THE CONSOLIDATED FINANCIAL STATEMENTS

Assets and liabilities are recognised at historical cost, except for certain financial assets and liabilities measured at fair value through profit or loss. This category consists primarily of derivative instruments, which are measured at fair value.

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

The parent company's functional currency is the Swedish krona which is also the reporting currency of the parent company and the Group. This means that the financial statements are presented in Swedish kronor. Unless otherwise stated, all amounts are rounded to the nearest million.

ESTIMATES AND ASSESSMENTS IN THE FINANCIAL STATEMENTS

Company management and the Board make assessments and estimates concerning the future that affect the reported assets, liabilities, income and expenses and other disclosures provided, including any contingent liabilities. These assessments are based on historical experience and assumptions deemed reasonable under the prevailing circumstances. Actual results may differ from these estimates and assessments. Estimates and assumptions are reviewed on a regular basis. Changes in estimates and assessments are recognised in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both current and future periods. Estimates that may have a significant impact on the Group's earnings and financial position are described in Note 32.

SEGMENT REPORTING

The Group's operations are managed and reported by business segment. The division is based on technology, customers and business logic with the aim of increasing both growth and profitability through simple structures and a clear focus. These form the basis for the chief operating decision-maker's allocation of the Group's resources. Segments are measured and consolidated in accordance with the same principles as for the Group as a whole. Inter-company transactions within segments take place on market conditions. The operating segments' results include earnings up to adjusted EBITA. Assets and liabilities include directly attributable items and items that can be allocated on a reasonable basis.

The Group's operating segments consist of:

- Nederman Extraction & Filtration Technology
- Nederman Process Technology
- Nederman Duct & Filter Technology
- Nederman Monitoring & Control Technology

A description of the different operating segments can be found on pages 64-71.

For the purpose of disclosures and comparability, the three previous operating segments are also presented, now designated as regions, in accordance with the policies that applied through 2018:

- EMEA (Europe, Middle East and Africa)
- APAC (Asia-Pacific)
- Americas (North and South America)

CLASSIFICATIONS

Fixed assets and non-current liabilities essentially consist of amounts expected to be recovered or settled after more than 12 months calculated from the balance sheet date. Current assets and current liabilities consist essentially of amounts expected to be recovered or settled within 12 months calculated from the balance sheet date and amounts where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

CONSOLIDATION PRINCIPLES

Subsidiaries

Subsidiaries are the companies over which Nederman Holding AB has a controlling influence. Controlling influence exists if Nederman Holding AB has an influence over the investment object, is exposed to or has rights to variable returns from its involvement and can use its influence over the investment to affect these returns. When determining whether a controlling influence exists, potential voting shares are taken into consideration. Business acquisitions are recognised according to the acquisition method. The cost of acquiring a business or company consists of the fair value determined on the acquisition date of the acquired identifiable assets and assumed liabilities and contingent liabilities and any non-controlling interest. The difference between the consideration transferred and the fair value of the acquired identifiable assets and assumed liabilities and contingent liabilities is recognised as goodwill if the difference is positive. If the difference is negative, this amount is recognised directly in the income statement. Transaction costs, such as fees for legal advice, legal assistance and due diligence, are expensed in the periods in which they arise. Financial reports from the acquired businesses are included in the consolidated financial statements from the date of acquisition. Divested operations are consolidated until the date on which the controlling influence ceases. The accounting policies have been consistently applied by the Group companies.

Transactions that are eliminated on consolidation

Inter-company receivables and liabilities, revenue and expenses, and unrealised gains or losses arising from inter-company transactions between Group companies are eliminated in their entirety when preparing the consolidated financial statements.

Financial reports of foreign entities

Assets and liabilities of foreign entities (none of which has a hyperinflationary currency), including goodwill and other consolidated surplus values and deficits, are translated from the foreign entity's functional currency to the Group's reporting currency at the exchange rate prevailing on the balance sheet date. Revenue and expenses of foreign entities are translated to Swedish kronor at an average exchange rate. Translation differences arising from currency translation of foreign subsidiaries are recognised in other comprehensive income and accumulated in a separate component of equity designated as the translation reserve. On disposal, the hereto attributable accumulated translation differences, previously recognised in the consolidated statement of total comprehensive income, are realised in the consolidated income statement in the same period as the profit or loss on the sale.

TRANSACTIONS AND BALANCE SHEET ITEMS IN FOREIGN CURRENCIES

Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate prevailing on the balance sheet date. Gains and losses attributable to operating receivables and liabilities are recognised as other operating income and other operating expenses, respectively, in operating profit/loss, while gains and losses on financial assets and liabilities are recognised in net financial items.

REVENUE

Nederman's customer offering encompasses everything from individual products, total solutions, design, installation, and commissioning to service. Based on these customer offerings, Nederman's sales model is divided into three sales groups: Products, Solutions, and Service and Aftermarket. Within the Products sales group, Nederman offers a wide range of standard products that solve common problems related to smoke, gas, dust, materials recycling, work environment and efficient production. The Solutions sales group consists either of individual products in the Nederman range which are assembled to build small and medium-sized systems, or large system solutions with a high element of customisation. The task of both variants is to solve more complex tasks. The Service and Aftermarket sales group offers qualified service in order to ensure continuous operation without interruptions to customers' production. In addition to technical service, this area also includes service contracts, spare parts and consumables.

Revenue from sales within Products and Service and Aftermarket is recognised at a given point in time when the promised goods or service is transferred to the customer and the customer obtains control over the goods or service. The customer obtains control when they receive the goods or service, can control their use and

obtain financial benefits from the asset or service. For products, this normally occurs when the goods are made available to the customer at the agreed time and place. For services, this occurs when the service is performed and the customer can benefit from the service provided. When it comes to sales within Solutions, which contain a significant element of customisation, Nederman's promise to customers is to deliver integrated system solutions, and not individual goods or services separately. It is the total performance to which the customer has agreed. When it comes to sales within the Solutions segment, this means that separate performance obligations cannot be identified and sales are therefore recognised as revenue over time.

For sales recognised over time, the progress towards full completion of the performance obligation is measured. This is carried out on the basis of project costs incurred in relation to total costs for goods and services that have been promised according to the agreement. Project costs incurred are determined either on the basis of the value of the goods or services that have been transferred to date or on the basis of customer measurements, such as achieved milestones. The choice of method is consistent within individual projects. Revenue recognition from Solutions includes certain assessments in the form of measuring the progress towards full completion of the performance obligation. Estimates that may have a significant impact on the Group's earnings and financial position are described in Note 32. Solutions are recognised in the balance sheet either as contract assets or as contract liabilities when Nederman or the customer has fulfilled a commitment, depending on the relationship between Nederman's performance and the customer's payment. Contract liabilities are recognised as revenue when the performance obligation is fulfilled.

The transaction price is the compensation that Nederman expects to be entitled to in exchange for transferring the promised goods or services to the customer in accordance with the contract. Expected credit losses are expensed immediately.

For sales of products and solutions, warranties are provided depending on the nature and use of the product. The warranty conditions provided ensure that the product or solution concerned will function as the parties intended and that it meets the agreed specifications. No warranties are sold separately and no warranties are provided to the customer as a separate service. On the basis of what the warranty covers and with requirements as to how the product is to be used/maintained, none of the warranties given are regarded as separate performance obligations in accordance with IFRS 15, and are instead recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

RESTRUCTURING RESERVE/RESTRUCTURING COSTS

Reserves for planned restructuring are recognised when a detailed plan exists for the implementation of the measures and when this plan has been communicated to those affected. Restructuring costs are recognised as a separate item in the income statement when these are attributable to a significant change in the Group structure. Restructuring costs are otherwise recognised as an element of other operating expenses.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses consist of interest income on bank deposits and interest-bearing financial assets, interest expenses on loans, dividend income, foreign exchange differences on interest-bearing financial assets and liabilities, and the results of forward contracts used in financial operations. Interest income on interest-bearing financial receivables and interest expenses on interest-bearing financial liabilities are calculated using the effective interest method. This means that interest income and interest expenses include accrued transaction costs and any discounts, premiums and other differences between the initial carrying amount of the receivable or liability and the estimated future receipts and payments during the contract period. The interest component related to lease payments is recognised in the income statement through the application of the effective interest method. Dividend income is recognised when the shareholder's right to receive payment is established.

FINANCIAL INSTRUMENTS

Financial instruments recognised in the balance sheet include, on the asset side, cash and cash equivalents, accounts receivable and derivative assets. The liability side includes accounts payable, borrowings, pension liabilities and derivative liabilities. Financial assets or liabilities are recognised in the balance sheet when the Company becomes a party according to the instrument's contract terms. Accounts receivable are recorded in the balance sheet when the invoice has been sent. Liabilities are recognised when the counterparty has performed and a contractual obligation to pay exists, even if the invoice has not yet been received. Accounts payable are recognised when the invoice has been received. A financial liability is derecognised in the balance sheet when the contractual obligation is fulfilled, expires or the Company loses control over it. The same applies to part of a financial asset. A financial liability is derecognised in the balance sheet when the obligation specified

in the contract is discharged or otherwise expires. The same applies to part of a financial liability. Financial assets and liabilities are offset and recognised at the net amount presented in the balance sheet when there is a legally enforceable right to offset the amount and when the intention is to settle items on a net basis, or to realise the asset and settle the liability simultaneously. Acquisitions and divestments of financial assets are recognised on the transaction date, which is the date that the Company undertakes to acquire or divest the asset.

Recognition and measurement

A financial instrument is classified based on the purpose of the acquisition. A financial asset's classification determines how it is measured after initial recognition. Financial instruments that are not derivatives are initially recognised at cost, corresponding to the instrument's fair value plus transaction costs, for all financial instruments that are recognised at fair value excluding transaction costs. Accounts receivable and accounts payable have a short expected maturity and are measured at a nominal amount.

Financial assets measured at fair value through profit or loss

Assets in this category are measured on an ongoing basis at fair value, with changes in fair value recognised in profit or loss. Derivatives that are not used for hedge accounting are also measured on an ongoing basis at fair value, with changes in fair value recognised in profit or loss. Derivative trading is carried out to hedge the Group's currency and interest rate risks. Derivatives with positive values (unrealised gains) are recognised as other non-current or current receivables. Changes in fair value in regard to derivatives where the underlying transactions relate to operations are recognised under other operating income/other operating expenses in the income statement. Changes in the fair value of derivatives where the underlying transactions are financial are recognised in net financial items.

Receivables measured at amortised cost

Accounts receivable and other receivables are financial assets that have defined or definable payments and that are not listed on an active market. These assets are measured at amortised cost. Amortised cost is determined according to the effective interest rate and calculated as of the acquisition date. Accounts receivable are recognised at the amount that is expected to be received, meaning after deductions for bad debts. Provisions for bad debts are recognised based on expected credit losses for their remaining time to maturity. Impairment losses on accounts receivable are recognised in other operating expenses. Impairment testing is carried out on an individual basis.

Cash and cash equivalents

Cash and cash equivalents consist of cash and immediately available balances with banks and similar institutions.

Financial liabilities measured at fair value through profit or loss

Changes in fair value in regard to derivatives where the underlying transactions relate to operations are recognised under other operating income/other operating expenses in the income statement. Changes in the fair value of derivatives where the underlying transactions are financial are recognised in net financial items.

Other financial liabilities

Financial liabilities included in this category, such as accounts payable and loans, are measured at amortised cost. Loans and other financial liabilities are initially recognised at the loan amount received after deductions for transaction costs. After the acquisition date, loans are measured at amortised cost using the effective interest method.

Hedge accounting

If the criteria for hedge accounting, in respect of cash flow hedging, are met, the effective part of the change in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve in equity. The cumulative gains or losses recognised in the hedging reserve are reversed to earnings in the same period as the hedged cash flow affects earnings. Any ineffective portion of the change in value is recognised directly in earnings. If the hedging relationship is interrupted and cash flow is still expected to occur, the accumulated change in value is recognised in the hedging reserve until the cash flow attributable to the hedged item affects earnings. In cases where the forecast cash flow underlying the hedging transaction is no longer expected to occur, the cumulative change in value recognised in the hedging reserve is transferred directly to the income statement.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the difference between the consideration transferred for the business and the fair value of acquired identifiable assets, assumed liabilities and any contingent liabilities. Goodwill is allocated to the cash-generating units or groups of cash-generating units that are expected to benefit from synergies from

the acquisition, and is tested for impairment requirements annually and in the event of an indication of a reduction in value. Any impairment losses are not reversed.

Research and development

Costs for development, where research results or other knowledge is applied to achieve new or improved products or processes, are recognised as an asset in the balance sheet if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development and thereafter use or sell the intangible asset. The carrying amount includes the cost of materials and other direct expenses that can be attributed to the asset in a reasonable and consistent manner. Development costs are recognised in the balance sheet at cost less accumulated amortisation and any impairment losses. Expenditure on research aimed at obtaining new scientific or technical knowledge is recognised as an expense in the income statement when incurred.

Brands with an indefinite life

Brands acquired through business combinations are recognised at fair value at the acquisition date. Brands with an indefinite life are allocated to the cash-generating units or groups of cash generating units that are expected to benefit from the brand's cash-generating units and are tested for impairment requirements annually and in the event of a reduction in value.

Customer relationships with a finite life

Customer relationships acquired through business combinations are recognised at fair value at the acquisition date. Customer relationships with a finite life are measured at cost less amortisation and any accumulated impairment losses.

Other intangible assets

Other intangible assets acquired by the Group are recognised at cost less accumulated amortisation and impairment losses.

Additional expenses

Additional expenses for capitalised intangible assets are recognised as an asset in the balance sheet only when they increase the future economic benefits of the specific asset to which they relate. All other expenses are expensed when they arise.

Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the intangible assets' estimated useful life unless such useful life is indefinite.

The following estimated useful lives are applied:

- Capitalised development expenditure 5 years
- Software 3-5 years
- Customer relationships 10 years

The amortisation methods, residual values and useful life used are reviewed at each year-end.

TANGIBLE ASSETS

Assets owned

Tangible assets are recognised within the Group at cost less accumulated depreciation and any impairment. The cost includes the purchase price and expenses directly attributable to the asset to bring it on site and in the condition to be used in accordance with its intended purpose. The cost of assets produced by the Company includes the cost of materials, cost of employee benefits and, if applicable, other manufacturing costs considered directly attributable to the asset. The carrying amount of a tangible asset is derecognised in the balance sheet on disposal or retirement, or when no future economic benefit is expected to derive from the use or sale/disposal of the asset. Gains or losses arising on the disposal or retirement of an asset comprise the difference between the sales price and the asset's carrying amount less direct selling expenses. Gains and losses are recognised as other operating income/expense.

Additional expenses

Additional expenses are only added to the cost if it is probable that the future economic benefits associated with the asset will accrue to the Company and the cost can be measured reliably. All other additional expenses are recognised as costs in the period in which they arise. The decisive factor for assessment of whether an additional expense is added to cost is whether the expense refers to the replacement of components or parts thereof, whereby such costs will be capitalised. Even in cases where new components are added to the asset, the expense will be added to cost. Any non-depreciated carrying values of replaced components, or parts of components, are disposed of and expensed in connection with replacement. Repairs and maintenance are expensed on an ongoing basis.

Depreciation

Depreciation takes place on a straight-line basis over the useful life of the asset. The Group applies component depreciation, which means that the components' estimated useful life forms the basis for depreciation.

The following estimated useful lives are applied:

- buildings, property used in business operations 15-30 years
- plant and machinery 3-8 years
- equipment, tools, fixtures and fittings 3-10 years
- land is not depreciated

Depreciation of components is based on each component's estimated useful life. The depreciation methods, residual values and useful life used are reviewed at each year-end.

RIGHT-OF-USE ASSETS

Pursuant to IFRS 16, leases are recognised in the statement of financial position. This recognition model is based on the view that the lessee has a right to use an asset for a specific period of time and at the same time an obligation to pay for that right. This means that at the initial date, a right-of-use asset that represents the right to use the underlying asset during the lease term and a lease liability that represents the present value of future lease payments are to be recognised. Depreciation for the right-of-use assets and interest expenses for the lease liability are recognised in the consolidated income statement and in other comprehensive income. After the initial date, the lease liability is remeasured so that it reflects changes in the lease payments, such as a change in the lease term or a change in future lease payments resulting from indexation. The remeasurement amount is recognised as an adjustment of the right-of-use asset.

Nederman's primary asset class is properties, such as factories and offices, but also machinery, vehicles and equipment. The standard contains two exceptions for reporting in the statement of financial position, which Nederman applies: short-term leases (lease term of 12 months or less) and leases for which the underlying asset has a low value (USD 5,000). These lease payments are recognised as operating expenses in the income statement and are therefore not included in the right-of-use asset or the lease liability.

The definitions according to IFRS 16 are applied when assessing whether a contract contains a leased asset. A right-of-use asset is defined as an identified asset for which Nederman essentially is entitled to the economic benefits arising from the use of the asset and where Nederman has the right to control the use of the asset. The lease term is determined on the basis of the non-cancellable period according to the lease. If the lease contains an extension option and there is reasonable certainty that this will be utilised, the lease term applied consists of the non-cancellable period plus the assessed period of extension. In assessing the period of extension, circumstances are taken into consideration such as financial incentives in such a manner that existing lease terms are compared with estimated market rents, whether significant improvements have been made to the property and whether costs would arise in relation to any move to new premises.

The discount rate primarily consists of the rate implicit in the lease if it is available according to the lease. For other leases, the discount rate is the incremental borrowing rate. The incremental borrowing rate consists of an interest margin based on the lessee's (subsidiary within the Group) credit rating and an interest rate benchmark (IBOR) for the specific currency and the term of the lease asset.

Leases for which the underlying asset is sublet to a third party, and the main lease between Nederman and the principal lessor continues to apply, are recognised as a financial asset, which comprises a receivable from a third party, and a lease liability, which comprises a liability to the principal lessor.

IMPAIRMENT AND REVERSALS OF IMPAIRMENT

Impairment losses are charged to the income statement. Impairment of financial, tangible and intangible assets as well as right-of-use assets affects operating profit. Previously recognised impairment losses are reversed if the reasons for the earlier impairment no longer exist. However, reversal will not be for an amount that is greater than that which the carrying amount would have been if the impairment had not been recognised in previous periods. Impairment of goodwill is not reversed.

Impairment testing for tangible assets and intangible assets

Impairment testing is carried out if any event occurs or circumstances change that indicate that the carrying amount may have decreased. Testing is carried out on the cash-generating unit to which the asset belongs. The cash-generating units comprise the Group's operating segments. For goodwill, other intangible assets with an indefinite useful life and intangible assets not yet ready for use, the recoverable amount is calculated annually. An impairment loss is recognised when an asset's or

cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less selling expenses and value in use. When calculating the value in use, future cash flows are discounted using a discount rate that reflects a risk-free interest rate and the risk associated with the specific asset. Impairment of assets attributable to a cash-generating unit is first allocated to goodwill. A proportional impairment of other assets in the unit is then made. An impairment loss is reversed, except for goodwill impairment, if there has been a positive change in the recoverable amount.

Impairment testing for financial assets

An impairment requirement is deemed to exist for a financial asset if objective evidence indicates that one or more events have had a negative impact on the asset's estimated future cash flows. An impairment of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Previous impairment of financial assets is reversed when evidence shows that the previous impairment is no longer justified.

Impairment testing of right-of-use assets

In accordance with IAS 36, impairment testing is carried out for right-of-use assets, and any identified impairment losses are recognised in the income statement. Impairment testing is carried out if any event occurs or circumstances change that indicate that the carrying amount of the underlying asset may have decreased. An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the present value of future lease payments or of the fair value of the underlying asset less divestment expenses. In the calculation of the present value of future lease payments, future cash flows are discounted, primarily on the basis of the implicit interest rate and, otherwise, by the incremental borrowing rate. An impairment loss is reversed if a positive change has occurred in the present value of the lease payments or the fair value of the underlying asset.

INVENTORY

Inventory is measured at the lower of cost and net realisable value on the balance sheet date. Cost is calculated using the first-in, first-out (FIFO) method and includes expenses incurred in acquiring the inventory and bringing it to its present location and condition. For finished goods and work in progress, cost includes an appropriate share of indirect expenses based on normal capacity. Borrowing costs are not included. Net realisable value is the estimated sales price less applicable variable selling expenses.

DIVIDENDS

Dividends are recognised as a liability after the Annual General Meeting has approved the dividend payment.

EARNINGS PER SHARE

The calculation of earnings per share is based on consolidated net profit for the year attributable to parent company shareholders and on the weighted average number of shares outstanding during the year.

EMPLOYEE BENEFITS

Short-term benefits

Short-term employee benefits are recognised as costs on receipt of the related services. A provision for expected bonus payments is recognised when the Group has an obligation to make such payments as a result of corresponding services being received or other contractual conditions being met.

Defined-contribution pension plans

Defined-contribution pension plans are plans where the Company's obligation is limited to the contributions the Company has undertaken to pay. The size of the employee's pension depends on the contributions paid by the Company and the return on capital that the contributions provide. The Group's obligations for defined-contribution plans are recognised as expenses in the income statement as they are earned. The part of the Swedish ITP plan that is financed through Alecia is a defined-benefit pension plan. At present, Alecia is unable to provide the required information, which is why the above pension plan is reported as a defined-contribution plan, which means that the premiums paid to Alecia are recognised in the period they relate to.

Defined-benefit pension plans

Defined-benefit plans are plans for post-employment benefits other than defined-contribution plans. The Group's net liability in respect of defined-benefit plans is calculated separately for each plan by estimating the future benefits that employees have earned through their employment in both current and prior periods; this benefit is discounted to its present value. The discount rate is the interest rate at the balance sheet date on first-class corporate bonds, including mortgage bonds, with a maturity corresponding to the Group's pension obligations. When there is not a viable market for such corporate bonds, the market rate of interest for

government bonds with a similar maturity is used instead. The calculation is performed by a qualified actuary using the projected unit credit method. The Group's net liability is the present value of the liability less the fair value of the plan assets, adjusted for any asset restrictions. The net interest income/expense of the defined-benefit liability/asset is recognised in the income statement under net financial items. The net interest income/expense is based on the interest generated by discounting the net liability, meaning the interest on the liability, the plan assets and the interest on the effect of any asset restrictions. Other components are recognised in operating income. Revaluation differences consist of actuarial gains and losses, the difference between the actual return on plan assets and the amount included in net interest income and any changes in the effect of asset restrictions (excluding interest included in net interest income/expense). Revaluation differences are recognised in other comprehensive income. Changes to or curtailment of a defined-benefit plan are recognised on the earliest of the following dates: a) when the change in the plan or reduction occurs, or b) when the Company recognises related restructuring costs and redundancy payments. The changes/reductions are recognised immediately in net profit for the year. This special employer's contribution is part of the actuarial assumptions and is recognised as part of the net liability/asset. The part of the special employer's contribution that is calculated based on the Swedish Pension Obligations Vesting Act in the legal entity is recognised for reasons of simplification as an accrued expense rather than as part of the net liability/asset. Tax on the return on pension funds is recognised in profit for the period to which the tax relates, and is therefore not included in the debt calculation. For funded plans, the tax is charged to the return on plan assets and is recognised in other comprehensive income. For unfunded or partially unfunded plans, the tax is charged to net profit for the year. When there is a difference between how pension costs are determined in a legal entity and a group, a provision or receivable is recognised for the special employer's contribution based on this difference. The provision or receivable is not discounted.

PROVISIONS

Provisions are recognised in the balance sheet when the Group has an existing legal or informal obligation as a result of a past event, and it is probable that an outflow of financial resources will be required to settle the obligation, and when the amount can be estimated reliably. Provisions are reviewed at each balance sheet date. Provisions are divided into long-term and short-term provisions.

Provisions for guarantees

A provision for product warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of possible outcomes in relation to the probabilities associated with the outcomes.

Provisions for restructuring and redundancy payments

A restructuring provision is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either begun or been publicly announced. Provisions for restructuring often include termination benefits, which can be either voluntary or involuntary. Termination benefits are recognised according to the same principles as provisions for restructuring, except in cases where there are requirements to work during the notice period. The cost of this work is allocated over the period in which the services were performed. No provision is made for future operating expenses.

TAXES

Income tax consists of the sum of current tax and deferred tax. Income tax is recognised in the income statement except when the underlying transaction is recognised under other comprehensive income or directly against equity, in which case the associated tax effect is recognised in the equivalent way. Current tax is the tax payable or refundable for the current year, applying the tax rates enacted or substantively enacted at the balance sheet date. This includes any adjustment of current tax attributable to prior periods. A current tax liability or asset is recognised for the estimated tax to be paid or received for the current or prior years. Deferred tax is calculated using the balance sheet method on the basis of temporary differences between the tax values of assets and liabilities and the carrying amounts recognised in the Group. Temporary differences that arise on initial recognition of an asset or liability, and are neither related to a takeover or other acquisition nor affect the recognised or taxable profit, do not give rise to any deferred tax asset or liability. Deferred tax is calculated at a nominal amount applying the tax rates and tax laws that are enacted or substantively enacted on the balance sheet date. Temporary differences in participations in subsidiaries are not taken into account as the Group can control the time of reversal of these and it is likely that they will not be reversed in the foreseeable future. Nor are temporary differences in goodwill taken into account. Deferred tax assets in regard to deductible temporary differences and loss carryforwards are only recognised to the extent it is probable they will be able to be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised. Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities and when the deferred income taxes relate to the same taxation authority.

Wherever uncertainty occurs in the treatment of income tax, an assessment is made of the probability that the tax agency or court will accept the tax treatment in the declaration of income, and the effect of the uncertainty is estimated and recognised in the financial statements as a tax liability in accordance with IFRIC 23.

CONTINGENT LIABILITIES

A contingent liability is recognised when there is a possible liability that arises from past events, that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required.

PARENT COMPANY ACCOUNTING POLICIES

The parent company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board. This means that the parent company applies in its financial reporting, as far as possible, all EU-approved IFRS under the Swedish Annual Accounts Act and that it takes into account the connection between accounting and taxation. The parent company applies the same accounting policies as the Group except in the cases listed below. The deviations between the policies of the parent company and the Group are due to limitations in the opportunities to apply IFRS in the parent company as a consequence of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and in certain cases to tax legislation.

Subsidiaries

Participations in subsidiaries are recognised in the parent company in accordance with the cost method. All expenses incurred in connection with business combinations, including acquisition-related expenses, are capitalised in the parent company's financial statements as part of the cost of subsidiaries' shares. Revenue from dividends is recognised when the right to receive dividends has been established. Dividends received are recognised as revenue regardless of whether or not the dividends relate to profit earned before the acquisition date. Shares in subsidiaries and receivables from subsidiaries are tested for impairment annually and in the event of an indication of impairment. Impairment testing is carried out by comparing the parent company's recognised cost with the subsidiaries' net asset value, including their long-term earning capacity. Any impairment losses are not reversed.

Net sales

The parent company's revenue consists of inter-company management fees. Revenue from management fees is recognised at a point in time, which is usually when the service is performed and the subsidiaries can benefit from the service provided.

Taxes

The parent company recognises untaxed reserves including deferred tax liability, unlike in the consolidated accounts where untaxed reserves are divided into deferred tax liability and equity. The parent company therefore makes no allocation of appropriations to deferred tax expense.

Leases

In accordance with RFR 2, the parent company applies the exemption in IFRS 16 as of 1 January 2019. This entails that the parent company recognises lease payments as operating expenses in the income statement on a straight-line basis over the lease term for all leases.

Group contributions and shareholders' contributions for legal entities

Shareholders' contributions are added to the value of shares and participations in the balance sheet, after which impairment testing is carried out. Group contributions are recognised as an appropriation in the income statement.

Capitalised development expenditures

Development expenditures capitalized during the year, for development work performed within the Nederman Group on intangible assets, the amount is transferred from unrestricted equity to a reserve for development expenditures pertaining to restricted equity.

Financial guarantees

The parent company's financial guarantees consist mainly of guarantees on behalf of subsidiaries. Financial guarantees mean that the Company has an obligation to compensate the owner of a debt instrument for losses that the owner may incur because a specified debtor fails to make payment when due under the contract terms. The parent company recognises financial guarantee agreements as a provision in the balance sheet when the Company has a commitment for which payment will probably be required in order to settle the obligation.

2 Sales

ALLOCATION OF SALES ON SEGMENTS AND SALES TYPES

2019, SEKm	Products	Solutions	Service and aftermarket	Total
Nederman Extraction & Filtration Technology	793.0	796.7	350.5	1,940.2
Nederman Process Technology	1.1	1,260.2	372.0	1,633.3
Nederman Duct & Filter Technology	504.6	37.3	13.5	555.4
Nederman Monitoring & Control Technology	276.1	-	4.2	280.3
Elimination	-38.9	-42.6	-20.0	-101.5
Total Nederman Group	1,535.9	2,051.6	720.2	4,307.7

ALLOCATION OF EXTERNAL NET SALES ON REGIONS AND SALES TYPES

2019, SEKm	Products	Solutions	Service and aftermarket	Total
EMEA	793.5	993.1	403.9	2,190.5
APAC	111.5	547.3	78.0	736.8
Americas	630.9	511.2	238.3	1,380.4
Total Nederman Group	1,535.9	2,051.6	720.2	4,307.7

2018, SEKm	Products	Solutions	Service and aftermarket	Total
EMEA	715.1	691.9	361.3	1,768.3
APAC	112.4	376.3	50.1	538.8
Americas	569.4	447.5	229.9	1,246.8
Total Nederman Group	1,396.9	1,515.7	641.3	3,553.9

SALES GROUPS

Nederman's customer offering encompasses everything from individual products, total solutions, design, installation, and commissioning to service. Based on these customer offerings, Nederman's sales model is divided into three sales groups: Products, Solutions, and Service and Aftermarket.

As of 2019, the Nederman Group comprises four operating segments; Nederman Extraction & Filtration Technology, Nederman Process Technology, Nederman Duct & Filter Technology and Nederman Monitoring & Control Technology. For the purpose of disclosures and comparability, the three previous operating segments are also presented, according to the policies that applied through 2018: EMEA, APAC and Americas. Within each operating segment and region, revenue flows from the three sales groups are monitored, which is why these categories are considered to be the most relevant basis for classifying revenue. The classification provides a good understanding of the Group's revenue streams.

Product sales

Nederman has a broad range of standard products that solve common problems related to smoke, gas, dust, material recycling, work environment and efficient production. Product sales are made primarily via distributors and resellers.

When it comes to product sales, Nederman fulfils the performance obligation when the promised goods are transferred to the customer and the customer obtains control of the goods. This normally occurs when the goods are made available to the customer at the agreed time and place. Revenue from product sales is recognised when Nederman fulfils the performance obligation which takes place at a given time. At this time, Nederman has the right to receive payment for the goods. The transaction price is the compensation that Nederman is entitled to in exchange for transferring promised goods to the customer.

Solutions (project sales)

Solutions consist either of individual products in the Nederman range which are assembled to build small and medium-sized systems, or large system solutions with a high element of special customisation. The task of both variants is to solve more complex tasks. Sales are conducted through Nederman's own sales organisation.

Nederman's promise to customers is to deliver integrated system solutions, and not individual goods or services separately. It is the total performance to which the customer has agreed. When it comes to sales within the Solutions segment, this means that separate performance obligations cannot be identified and sales are therefore recognised as revenue over time.

For sales recognised over time, the progress towards full completion of the performance obligation is measured. This is carried out on the basis of project costs incurred in relation to total costs for goods and services that have been promised according to the agreement. Project costs incurred are determined either on the basis of the value of the goods or services that have been transferred to date or on the basis of customer measurements, such as achieved milestones. The choice of method is consistent within individual projects. Revenue recognition from Solutions includes certain assessments in the form of measuring the progress towards full completion of the performance obligation.

The transaction price is the compensation that Nederman expects to be entitled to in exchange for transferring the promised goods and services to the customer in accordance with the contract. Most projects are sold at a fixed price.

2 Sales, cont'd

Service and aftermarket

By offering qualified service with good availability, Nederman helps to ensure continuous operation without expensive interruptions to customers' production. In addition to technical service, this area also includes service contracts, spare parts and consumables.

When it comes to service and aftermarket sales, Nederman fulfils the performance obligation when the promised goods or service are transferred to the customer and the customer obtains control of the goods or services. In regard to products, control is normally transferred when the product is delivered to the customer. With respect to service, control is normally transferred when the service is performed and the customer can benefit from the service provided. Revenue from service and aftermarket sales is recognised when Nederman fulfils the performance obligation which takes place at a given time. The transaction price is the compensation that Nederman is entitled to in exchange for transferring promised goods or services to the customer.

Accounts receivable, contract assets and contract liabilities

When Nederman is entitled to unconditional compensation from the customer, this is recognised as a receivable. When it comes to sales within Products and Service and Aftermarket, an account receivable arises when control has been transferred to the customer and the invoice has been sent. When it comes to sales within Solutions, Nederman recognises a contract asset or contract liability in the statement of financial position when Nederman or the customer has fulfilled an obligation, depending on the relationship between Nederman's performance and the customer's payment. Contract liabilities are reported as revenue when the performance obligation is fulfilled. At the beginning of 2019, contract liabilities amounted to SEK 440.3m (167.6), of which SEK 315.7m (137.4) was recognised as revenue in the current year. At the end of 2019, contract liabilities amounted to SEK 379.9m.

Terms of payment

For new customers and new markets, letters of credit or advance payments normally apply. For established customer relationships, credit limits are carefully monitored to limit the risk. For project sales recognised as contract assets or contract liabilities, payment terms with a fixed payment plan are applied, with payments based on the degree of completion.

Warranties

For sales of products and solutions, warranties are provided depending on the nature and use of the product. The warranty conditions provided ensure that the product or solution concerned will function as the parties intended and that it meets the agreed specifications. No warranties are sold separately and no warranties are provided to the customer as a separate service. Based on what the warranty covers and with requirements as to how the product is to be used/maintained, no warranties provided are regarded as separate performance obligations but are recognised instead as a provision. Warranty provisions are based on estimations based on historical experience and assumptions deemed reasonable under the prevailing circumstances for the individual case. Actual results may differ from these estimates and assessments. Estimates and assumptions are reviewed on a regular basis.

3 Operating segments

Segment reporting is based on reports submitted to the chief operating decision-maker in order to assess performance and allocation of resources to the segments. The operating segments consist of different business operations that are affected by revenue and expenses. Segments are measured and consolidated in accordance with the same principles as for the Group as a whole.

Nederman is one of the world's leading suppliers of products and solutions for advanced air filtration in demanding industrial environments. Our offering comprises individual products, complete solutions, project design, installation, commissioning and service. Nederman's business concept is clean air. The Company's products contribute to reducing the environmental impact from industrial production, creating clean and safe working environments, and increasing production efficiency.

OPERATING SEGMENTS

As of 2019, Nederman Group comprises four operating segments:

- Nederman Extraction & Filtration Technology
- Nederman Process Technology
- Nederman Duct & Filter Technology
- Nederman Monitoring & Control Technology

The division is based on technology, customers and business logic with the aim of increasing both growth and profitability through simple structures and a clear focus. The operating segments are presented on pages 64-71 of the annual report. The Group's internal reporting system is built up in order to make it possible to follow the operating segments' sales and operating profit. Joint operating expenses are allocated to the operating segments as appropriate. Assets and liabilities that are part of working capital are recognised separately, where possible. Earnings, assets and liabilities for the segments include directly attributable items plus items that can be allocated to the segments in an appropriate way. Items that are recognised as "Other - non-allocated" pertain mostly to expenses related to the parent company Nederman Holding AB, which includes the central main office functions, such as Group Management, Group Finance, Group IT and Group HR. The item "Other - non-allocated" also pertains to acquisition costs, restructuring costs, financial income and expenses, and tax expenses. Assets and liabilities that have not been allocated between the segments are fixed assets, cash and cash equivalents, tax receivables and tax liabilities (current and deferred), financial investments and financial liabilities, provisions and pension liabilities. Assets included in working capital are defined as inventory, accounts receivable, contract assets, other receivables and prepaid expenses and accrued income. Liabilities included in working capital are defined as accounts payable, contract liabilities, other operating liabilities, and accrued expenses and prepaid income. The segments' capital expenditure in fixed assets includes all capital expenditures in tangible and intangible fixed assets except expendable equipment, equipment of minor value and goodwill.

REGIONS

For the purpose of disclosures and comparability, the three previous operating segments are also presented, now designated as regions, in accordance with the policies that applied through 2018:

- EMEA (Europe, Middle East and Africa)
- APAC (Asia-Pacific)
- Americas (North and South America)

Assets and liabilities that have not been allocated between the regions include tax receivables and tax liabilities (current and deferred), financial investments and financial liabilities, and pension liabilities. Operating assets are defined as total assets with deductions for cash and cash equivalents, tax receivables (current and deferred) and financial investments. Operating liabilities are defined as total liabilities less financial investments, tax liabilities (current and deferred), financial liabilities, and pension liabilities. The regions' capital expenditure in tangible and intangible fixed assets includes all capital expenditure except expendable equipment, equipment of minor value and goodwill.

GEOGRAPHIC AREAS

The Group is divided into ten geographic regions: Sweden, Germany, the UK, other EMEA, the US, other Americas, China, India, other APAC and rest of the world. The information presented concerning the revenue for each region is grouped according to the geographic area where the customers are located. Information concerning operating assets, fixed assets excluding goodwill and capital expenditure for the period in tangible and intangible assets, with the exception of goodwill, is based on the geographic regions where the assets are located. Fixed assets are defined as total assets less goodwill, non-current receivables and deferred tax assets.

3 Operating segments, cont'd

OPERATING SEGMENTS

	Extraction & Filtration Technology	Process Technology	Duct & Filter Technology	Monitoring & Control Technology	Other non-allocated	Elimination	Total Nederman Group
2019, SEKm							
Net sales, external customers	1,934.5	1,621.8	472.0	279.4	-	-	4,307.7
Net sales, internal between operating segments	5.7	11.5	83.4	0.9	-	-101.5	-
Netsales	1,940.2	1,633.3	555.4	280.3	-	-101.5	4,307.7
Adjusted EBITA	263.2	101.6	69.6	44.6	-85.0	-	394.0
Amortisation of intangible assets							-44.9
Acquisition costs							-5.9
Operating profit							343.2
Net financial items							-35.9
Taxes							-81.5
Net profit for the year							225.8
Assets included in working capital	669.4	623.2	126.2	193.1	101.7	-140.2	1,573.4
Goodwill	473.7	345.8	19.0	773.7	-	-	1,612.2
Non-allocated assets	-	-	-	-	1,560.9	-	1,560.9
Total assets	1,143.1	969.0	145.2	966.8	1,662.6	-140.2	4,746.5
Liabilities included in working capital	435.9	568.2	68.6	64.8	107.7	-140.2	1,105.0
Non-allocated liabilities	-	-	-	-	2,263.3	-	2,263.3
Total liabilities	435.9	568.2	68.6	64.8	2,371.0	-140.2	3,368.3
Other segment information							
Capital expenditures	18.1	6.5	14.8	3.2	51.0	-	93.6
Entered lease agreements during the year	26.6	7.1	1.4	40.5	0.8	-	76.4
Depreciation/Amortisation and impairment	-63.0	-29.8	-13.2	-28.4	-12.3	-	-146.7
Items not affecting cash flow other than depreciation/amortisation	1.9	-2.3	0.8	-0.0	-1.2	-	-0.8

REGIONS

	2019								2018	
SEKm	EMEA	APAC	Americas	Other not allocated	Total	EMEA	APAC	Americas	Other not allocated	Total
Net sales	2,190.5	736.8	1,380.4	-	4,307.7	1,768.3	538.8	1,246.8	-	3,553.9
Adjusted operating profit	310.6	33.2	128.6	-123.3	349.1	266.2	18.3	123.1	-88.7	318.9
Acquisition costs	-	-	-	-5.9	-5.9	-	-	-	-13.2	-13.2
Operating profit/loss	310.6	33.2	128.6	-129.2	343.2	266.2	18.3	123.1	-101.9	305.7
Financial income	-	-	-	8.4	8.4	-	-	-	5.0	5.0
Financial expenses	-	-	-	-44.3	-44.3	-	-	-	-43.2	-43.2
Tax expenses	-	-	-	-81.5	-81.5	-	-	-	-64.7	-64.7
Net profit for the year					225.8					202.8
Operating assets	3,228.0	537.8	1,053.9	-613.1	4,206.6	2,420.9	514.1	1,138.3	-617.5	3,455.8
Other assets	-	-	-	539.9	539.9	-	-	-	564.7	564.7
Total assets	3,228.0	537.8	1,053.9	-73.2	4,746.5	2,420.9	514.1	1,138.3	-52.8	4,020.5
Operating liabilities	549.3	427.1	482.1	-227.9	1,230.6	582.6	427.7	458.8	-52.5	1,416.6
Other liabilities	-	-	-	2,137.7	2,137.7	-	-	-	1,369.0	1,369.0
Total liabilities	549.3	427.1	482.1	1,909.8	3,368.3	582.6	427.7	458.8	1,316.5	2,785.6
Capital expenditures	25.9	3.5	13.2	51.0	93.6	14.2	2.4	8.3	37.9	62.8
Depreciation and amortisation	-76.3	-22.4	-28.1	-19.9	-146.7	-66.0	-14.6	-24.0	-16.6	-121.2

GEOGRAPHIC AREAS

2019, SEKm	Sweden	Germany	UK	Other EMEA	US	Other Americas	China	India	Other APAC	Rest of the World	Not allocated	Total
Net sales	122.8	404.7	214.6	1,092.3	1,078.7	275.7	457.7	139.8	375.2	146.2	-	4,307.7
Operating assets	712.6	505.2	143.1	1,863.2	978.4	111.3	358.2	91.2	125.3	-	-681.9	4,206.6
Capital expenditures	5.7	2.0	0.6	17.6	11.8	1.4	1.3	1.5	0.7	-	51.0	93.6
Fixed assets	91.0	53.9	16.3	444.6	186.3	7.8	47.6	66.5	32.5	-	71.7	1,018.2

2018, SEKm	Sweden	Germany	UK	Other EMEA	US	Other Americas	China	India	Other APAC	Rest of the World	Not allocated	Total
Net sales	119.8	352.3	161.8	961.2	1,004.6	184.1	266.2	67.3	180.1	256.5	-	3,553.9
Operating assets	724.7	411.3	101.6	1,144.7	1,078.2	82.4	387.5	117.2	78.1	-	-669.9	3,455.8
Capital expenditures	5.8	1.9	1.5	5.0	7.4	0.9	1.0	1.3	0.1	-	37.9	62.8
Fixed assets	92.5	51.6	13.6	220.0	186.3	7.9	56.9	65.2	35.1	-	55.1	784.2

4 Acquisition of business operations

ACQUISITION 2019

Gasmet Technologies Oy

On December 9, Nederman acquired 100% of the shares in the Finnish group Gasmet Technologies Oy (Gasmet). Gasmet is a world leader of FTIR (Fourier Transform Infrared Spectroscopy) gas analysis solutions for both continuous emission and mercury monitoring systems and portable gas analysers. Today, the company has the largest project portfolio of FTIR analysis solutions, with more than 4,000 installed units in approximately 80 markets. The company is based in Helsinki, Finland, and has global presence through wholly owned entities in Germany, the UK, Canada, Hong Kong and Austria. Gasmet had with some 120 employees and sales of more than EUR 21m in the 2018 financial year.

The acquisition price amounted to SEK 508.9m. Acquired net assets amounted to SEK 14.1m and the transaction resulted in an increased goodwill of SEK 386.6m. Goodwill is mainly related to the strong market position of Gasmet, especially with a leading global position in the FTIR analysis market, and to highly skilled and knowledgeable workforce, new customers and to synergies with the Nederman Group. Effect of the acquisition on the Group's cash and cash equivalents is SEK 497.1m. The acquisition analysis is preliminary.

Of the total intangible fixed assets, SEK 81.1m relates to capitalised development expenditures, SEK 52.6m to customer contracts, SEK 19.0m to the brand and SEK 3.7m to computer programs. Acquisition related costs amounted to SEK 4.5m and related to fees paid to consultants in connection with the transaction, including due diligence and legal advice. These expenses have been charged to operating profit.

SEKm			Total
Acquisition price			508.9
	Carrying amount upon the moment of acquisition	Adjustment to fair value	Fair value/ Total
Identifiable acquired assets and liabilities, SEKm			
Intangible fixed assets	21.7	134.7	156.4
Tangible fixed assets	7.4	-	7.4
Right-of-use assets	51.4	-	51.4
Inventories	58.9	-	58.9
Accounts receivables and other receivables	50.0	-	50.0
Tax assets	0.9	-	0.9
Cash and cash equivalent	11.8	-	11.8
Interest-bearing liabilities	-90.0	-	-90.0
Lease liabilities	-51.4	-	-51.4
Accounts payable and other operating liabilities	-45.6	-	-45.6
Current tax liabilities	-1.0	-	-1.0
Defferd tax liabilities	-0.0	-26.5	-26.5
Total identifiable net assets	14.1	108.2	122.3
Goodwill			386.6
Total			508.9
Transferred remuneration			-508.9
Acquired cash and cash equivalents			11.8
Effect on consolidated cash and cash equivalents			-497.1
Net sales during holding time			39.4
Net sales 2019 before acquisition			206.9
Net profit during holding time			12.3
Net profit 2019 before acquisition			10.9
Effect on consolidated cash and cash equivalents, SEKm		2019	2018
Gasmet Technologies Oy		-497.1	-
Luwa Air Engineering AG		-	-28.2
Auburn FilterSense LLC		-4.1	-42.5
NEO Monitors AS		-155.4	4.0
Total effect on consolidated cash and cash equivalents		-656.6	-66.7

4 Acquisition of business operations, cont'd

ACQUISITIONS 2018

Luwa Air Engineering AG

On 17 October, 2018, Nederman acquired 100% of the shares in the Swiss group Luwa Air Engineering AG (Luwa). Luwa is a global manufacturer and supplier of customised systems for air filtration, waste management and heat recovery systems for fibre applications. Luwa was founded in 1935 and is a global market leader in air filtration for leading-quality fibre and textiles and with a global brand in the fibres industry. The Luwa Group's activities include the design and engineering of single components and whole systems as well as manufacturing, assembly, installation and after sales services. Manufacturing and assembly facilities are situated in India and China and the group has a significant global installed base that is the source of Luwa's deep understanding of the technical demands as well as the local requirements of customers. Luwa is part of the division Nederman Process Technology. Luwa's high quality solutions will add to the Nederman Group's capabilities in the strategically important global fibre and textile market. Luwa is based in Uster, Switzerland and has also operations in China, India, Singapore, USA and Turkey.

The purchase price amounted to SEK 258.7m, of which SEK 51.7m will be paid two years after the date of acquisition. According to the original acquisition analysis, the acquired net assets were valued at SEK 172.7m, which in the third quarter of 2019 were adjusted by SEK 11.2m net after tax, following the final valuation of the carrying amount at the date of acquisition. The adjustment increased goodwill by a corresponding amount.

Acquisition related costs amounted to SEK 1.4m (8.1). These expenses have been charged to operating profit. The acquisition analysis is final.

Auburn FilterSense LLC

The Group acquired the US company Auburn FilterSense LLC (AFS) on 5 April, 2018. AFS is a leading provider of particulate monitors and filter control solutions. AFS holds several decades of experience and application knowledge from more than 75,000 units and installations sold, bringing technology and support to help customers worldwide reduce emissions and improve operations. The company manufactures continuous particulate monitors incorporating triboelectric and charge induction particulate sensing technologies, intelligent controls, including real-time diagnostics and software for filter leak detectors, process control, maintenance planning, regulatory compliance and increased production efficiency. AFS is based in Beverly, Massachusetts, USA and is part of the operating segment Nederman Monitoring & Control Technology.

The purchase price amounted to SEK 65.0m, of which SEK 20.7m constitutes a possible additional purchase price based on profitability in 2018 and 2019. During 2019, SEK 4.1m of the total additional purchase price has been paid and during the first quarter 2020 the rest of the total additional purchase price will be paid. Acquisition related costs amounted to SEK 0.0m (4.4). The acquisition analysis is final.

ACQUISITION 2017

NEO Monitors AS

On 7th November 2017, Nederman acquired 100 percent of the shares in NEO Monitors AS. The acquisition price amounted to SEK 407.5 m and during 2018 it was adjusted by SEK 4.0 m, related to an updated calculation of net working capital. The purchase price was divided into two parts, whereof the first part of SEK 256.1 m was paid on the date of the takeover and the second part of SEK 155.4m was paid in the fourth quarter 2019. Acquisition related costs amounted to SEK 0.0m (0.7). The acquisition analysis is final.

5 Other operating income

SEKm	2019	2018
Profit from sale of fixed assets	2.4	9.4
Recovered bad debt losses	2.8	1.2
Exchange gains on operating receivables/liabilities	3.3	6.7
Other	6.9	5.0
Total	15.4	22.3

For further information about the credit loss reserve, see note 26.

6 Other operating expenses

SEKm	2019	2018
Loss from sales of fixed assets	-1.0	-2.6
Bad debt losses	-11.0	-2.6
Exchange losses on operating receivables/liabilities	-	-0.5
Other	-8.8	-2.9
Total	-20.8	-8.6

For further information about the credit loss reserve, see note 26.

7 Employees and Staff Expenses

Average number of employees	2019			2018		
	Women	Men	Total	Women	Men	Total
Australia	4	18	22	3	17	20
Belgium	3	17	20	3	13	16
Brazil	6	19	25	5	18	23
Denmark	9	69	78	10	65	75
England	16	82	98	15	81	96
Finland	2	5	7	-	-	-
France	6	12	18	5	14	19
Hong Kong	-	1	1	-	-	-
India	10	224	234	5	74	79
Indonesia	1	11	12	2	8	10
Canada	6	23	29	5	22	27
China	65	224	289	43	140	183
Malaysia	1	5	6	1	5	6
Mexico	3	7	10	7	11	18
Netherlands	1	26	27	2	29	31
Norway	10	55	65	8	58	66
Poland	33	204	237	27	205	232
Russia	1	4	5	2	3	5
Switzerland	8	46	54	2	10	12
Singapore	3	6	9	1	1	2
Spain	2	13	15	2	13	15
Sweden	63	157	220	54	149	203
Thailand	13	29	42	20	52	72
Czech Republic	2	17	19	2	16	18
Turkey	4	17	21	3	10	13
Germany	38	139	177	36	142	178
Hungary	-	2	2	-	2	2
USA	122	328	450	112	315	427
Austria	-	3	3	-	4	4
Total	432	1,763	2,195	375	1,477	1,852
Of whom, senior executives	28	135	163	23	82	105

Gender breakdown of senior executives, percentage of women	2019	2018
Board of Directors	11%	12%
Other senior executives	17%	22%

Expenses for remuneration to employees, SEKm	2019	2018
Salaries and other remuneration	1,074.9	898.0
Pension expenses, defined-benefit plans (see also note 22)	15.2	5.8
Pension expenses, defined-contribution plans (see also note 22) 1)	49.6	47.1
Social security expenses	146.5	121.6
	1,286.2	1072.5

Salaries and other remuneration allocated between the Board of Directors and other employees, SEKm	2019	2018
Board of Directors, CEO and senior executives (see also note 22)	74.7	64.4
(of which variable compensation)	(10.3)	(7.0)
Other employees	1,000.2	833.6
	1,074.9	898.0

1) Of the parent company's pension costs SEK 1.4m (1.4) concern the Board of Directors and the CEO for the parent company. There are no outstanding pension obligations to the Group's Board of Directors, CEO and senior executives.

8 Lease agreements

Lease expenses, SEKm	2019	2018
Depreciation of right-of-use assets	-67.1	-57.3
Interest expense on lease liabilities	-12.8	-11.2
Short term leases	-0.9	-0.3
Lease assets of low value	-1.9	-1.3
Variable lease expenses	-0.2	-0.2
Total	-82.9	-70.3
Revenue from subleases, SEKm	2019	2018
Revenue from subleases	1.7	1.5

9 Fees and expenses to auditors

SEKm	2019	2018
EY		
Audit assignment	6.7	6.0
Tax advice	0.1	0.4
Other assignments	0.2	0.1
Other auditors		
Audit assignment	1.2	1.3
Tax advice	0.1	0.2
Other assignments	0.4	0.5

Audit assignments refer to the statutory audit of annual and consolidated accounts, the administration of the Board of Directors and CEO, and auditing and other verifications as agreed. Other audit assignments include other duties incumbent on the company's auditors and advice or other assistance required by the findings in the audit or performance of other tasks.

10 Operating expenses

SEKm	2019	2018
Costs of operations allocated on cost type		
Cost of material	-2,047.2	-1,658.3
Cost of remuneration to staff	-1,286.2	-1,072.5
Other external costs and other personnel costs	-473.1	-396.7
Acquisition costs	-5.9	-13.2
Depreciation and amortisation	-146.7	-121.2
Other operating expenses	-20.8	-8.6
Total	-3,979.9	-3,270.5

11 Net financial items

SEKm	2019	2018
Financial income		
Interest income on bank deposits	3.5	2.7
Other interest income	0.5	1.9
Exchange rate changes	4.4	0.4
Total	8.4	5.0
Financial expenses		
Interest expenses, credit institutions	-24.3	-23.3
Interest expenses, leasing liabilities	-12.8	-11.3
Interest expenses, other	-7.2	-7.0
Exchange rate changes	-	-1.6
Total	-44.3	-43.2
Net financial items	-35.9	-38.2

All interest income/expense derive from financial assets and liabilities which are measured at amortised cost.

12 Taxes

REPORTED IN THE CONSOLIDATED INCOME STATEMENT, SEK m	2019	2018
Current tax expense (-)		
Tax expense for the period	-88.5	-62.0
Adjustment of tax relating to previous years	-1.8	5.1
Total	-90.3	-56.9
Deferred tax expense (-)/tax income (+)		
Deferred tax concerning temporary differences	-3.6	-5.6
Utilisation of previously activated loss carryforwards	-2.1	-6.4
Revaluation of loss carryforwards	8.8	0.1
Deferred tax income in tax loss carryforwards capitalised during the year	5.7	4.1
Total	8.8	-7.8
Total consolidated tax expenses	-81.5	-64.7

Reconciliation of effective tax

The Swedish corporate income tax rate is 21.4 percent. The primary reasons for the difference in tax rate between Swedish income tax and the Group's tax rate based on the earnings after financial items are indicated in the table below.

	2019, %	2019, SEK m	2018, %	2018, SEK m
Profit before tax		307.3		267.5
Tax according to the applicable tax rate for the Parent company	21.4	-65.8	22.0	-59.0
Effect of other tax rates for foreign subsidiaries	0.0	-0.1	5.1	-13.6
Non-taxable income	-0.4	1.2	-0.4	1.0
Non-tax deductible expenses	4.2	-12.7	2.2	-5.8
Revaluation of temporary differences	-0.9	2.7	-1.1	3.0
Increase of tax loss carryforwards without corresponding capitalisation of deferred tax	2.1	-6.5	2.3	-6.3
Utilisation or revaluation of previously non-capitalised tax loss carryforwards	-0.9	2.8	-4.0	10.8
Tax relating to previous years	0.9	-2.9	-1.7	4.7
Effect of changes in tax rates and tax rules	0.1	-0.2	-0.2	0.5
Reported effective tax	26.5	-81.5	24.2	-64.7

Current tax assets amount to SEK 82.8m (75.7) and represent the recoverable amount of current tax on the result for the year.

REPORTED IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Deferred tax assets and deferred tax liabilities, SEK m	Assets	Liabilities	2019 Net	Assets	Liabilities	2018 Net
Deferred tax assets and deferred tax liabilities relate to:						
Tangible fixed assets	19.0	33.7	-14.7	27.0	30.9	-3.9
Intangible fixed assets	5.0	79.7	-74.7	5.6	50.5	-44.9
Financial assets	-	1.7	-1.7	0.7	0.2	0.5
Inventories	16.6	1.1	15.5	13.6	1.2	12.4
Accounts receivable	3.8	1.4	2.4	1.7	7.9	-6.2
Provision for pensions	17.6	0.2	17.4	18.6	9.1	9.5
Provisions	15.2	-	15.2	13.4	1.2	12.2
Long term liabilities	-	-	-	0.1	3.3	-3.2
Short term liabilities	10.3	-	10.3	10.2	-	10.2
Loss carryforwards	16.1	0.5	15.6	4.4	-	4.4
Tax assets/liabilities	103.6	118.3	-14.7	95.3	104.3	-9.0
Netting	-95.4	-95.4	-	-74.9	-74.9	-
Deferred tax assets/liabilities according to consolidated statement of financial position	8.2	22.9	-14.7	20.4	29.4	-9.0

Recognised loss carryforwards are not time limited except for losses in Turkey amounting to SEK 0.9m, the Netherlands amounting to SEK 6.9m, Poland amounting to SEK 4.5m and China amounting to SEK 12.9m that are mainly valid until 2021-2023.

Deferred tax assets on tax loss carryforwards have been reported to the extent that it is considered probable that the losses can be set off against future profits.

Deferred tax assets and liabilities are offset where there is a legal offsetting right for the current tax assets and liabilities, and when the deferred taxes pertain to the same tax authority.

12 Taxes, cont'd

UNRECOGNISED TAX LOSS CARRYFORWARDS

Deductible temporary differences and loss carryforwards for which deferred tax assets have not been reported in the consolidated statement of financial position:

SEKm	2019	2018
Unrecognised tax loss carryforwards	243.0	252.3

Unrecognised tax loss carryforwards would correspond to a deferred tax asset of SEK 58.1m. Unrecognized tax loss carryforwards are mainly related to losses in France, India, Canada, the Netherlands, Thailand, Turkey, Germany and the USA which will probably not be used for settlement of future taxable gains. The majority of the unrecognised tax loss carryforwards have a time limit to 2022-2024 and the remaining portion is mainly not time limited.

CHANGE IN DEFERRED TAX ON TEMPORARY DIFFERENCES AND LOSSES CARRIED FORWARD

	Balance as of 1 Jan 2019	Recorded over income statement	Recorded in other comprehen- sive income	Translation difference	Acquisitions of business	Balance as of 31 Dec 2019
SEKm						
Tangible fixed assets	-3.9	-11.3	-	0.5	-0.0	-14.7
Intangible fixed assets	-44.9	-3.3	-	-	-26.5	-74.7
Financial assets	0.5	-2.5	-	0.3	-	-1.7
Inventories	12.4	3.3	-	-0.2	-	15.5
Accounts receivable	-6.2	10.0	-	-1.4	-	2.4
Provision for pensions	9.5	-6.4	13.5	0.8	-	17.4
Provisions	12.2	3.4	-	-0.4	-	15.2
Long term liabilities	-3.2	3.1	-	0.1	-	-
Short term liabilities	10.2	0.1	-	-0.0	-	10.3
Loss carryforwards	4.4	12.4	-	-1.2	-0.0	15.6
Total	-9.0	8.8	13.5	-1.5	-26.5	-14.7

	Balance as of 1 Jan 2018	Recorded over income statement	Recorded in other comprehen- sive income	Translation difference	Acquisitions of business	Balance as of 31 Dec 2018
SEKm						
Tangible fixed assets	-2.0	-1.7	-	-0.2	0.0	-3.9
Intangible fixed assets	-38.8	-0.7	-	-0.1	-5.3	-44.9
Financial assets	0.5	-0.0	-	0.0	-	0.5
Inventories	10.2	1.0	-	0.1	1.1	12.4
Accounts receivable	-1.7	-3.8	-	-0.4	-0.3	-6.2
Provision for pensions	16.6	1.6	-	0.2	-8.9	9.5
Provisions	7.6	3.2	-	0.3	1.1	12.2
Long term liabilities	-1.4	-1.7	-	-0.1	-	-3.2
Short term liabilities	4.3	-3.5	-	-0.3	9.7	10.2
Loss carryforwards	4.5	-2.2	-	-0.2	2.3	4.4
Total	-0.2	-7.8	-	-0.7	-0.3	-9.0

13 Intangible fixed assets

2019

SEKm	Customer relations	Trade-marks	Capitalised development expenditures	Goodwill	Computer programs	Total
Accumulated cost						
Opening balance	62.9	149.1	231.9	1,183.3	171.0	1,798.2
Business acquisition	52.6	19.0	78.7	397.8	4.6	552.7
Internally developed assets	-	-	15.6	-	-	15.6
Other capital expenditures	-	-	-	-	34.5	34.5
Sold and scrapped	-	-	-5.9	-	-0.9	-6.8
Translation differences	1.8	5.9	3.9	31.1	1.0	43.7
Closing balance	117.3	174.0	324.2	1,612.2	210.2	2,437.9
Accumulated amortisation and impairment						
Opening balance	-15.1	-56.6	-169.1	-	-112.5	-353.3
Business acquisition	-	-	-0.7	-	-0.9	-1.6
Sold and scrapped	-	-	6.1	-	0.9	7.0
Amortisation	-8.2	-0.1	-12.8	-	-23.8	-44.9
Translation differences	-0.4	-2.9	-3.5	-	-0.9	-7.7
Closing balance	-23.7	-59.6	-180.0	-	-137.2	-400.5
Carrying amount						
Opening balance	47.8	92.5	62.8	1,183.3	58.5	1,444.9
Closing balance	93.6	114.4	144.2	1,612.2	73.0	2,037.4

2018

SEKm	Customer relations	Trade-marks	Capitalised development expenditures	Goodwill	Computer programs	Total
Accumulated cost						
Opening balance	42.6	44.1	212.7	969.9	125.6	1,394.9
Business acquisition	17.9	100.1	57.4	137.6	11.2	324.2
Internally developed assets	-	-	5.7	-	-	5.7
Other capital expenditures	-	-	0.1	-	33.0	33.1
Sold and scrapped	-	-	-0.1	-	-	-0.1
Reclassifications	-	-0.3	-51.0	40.1	-	-11.2
Translation differences	2.4	5.2	7.1	35.7	1.2	51.6
Closing balance	62.9	149.1	231.9	1,183.3	171.0	1,798.2
Accumulated amortisation and impairment						
Opening balance	-9.2	-	-107.4	-	-81.6	-198.2
Business acquisition	-	-55.7	-48.9	-	-10.2	-114.8
Sold and scrapped	-	-	0.1	-	-	0.1
Amortisation	-5.4	-	-10.2	-	-19.5	-35.1
Translation differences	-0.5	-0.9	-2.7	-	-1.2	-5.3
Closing balance	-15.1	-56.6	-169.1	-	-112.5	-353.3
Carrying amount						
Opening balance	33.4	44.1	105.3	969.9	44.0	1,196.7
Closing balance	47.8	92.5	62.8	1,183.3	58.5	1,444.9

The Group's expenses for development of the existing product range and new products amounted to SEK 65.2m (44.1). SEK 15.6m was capitalised in the consolidated statement of financial position.

13 Intangible fixed assets, cont'd

Amortisation and impairment, SEKm	2019	2018
Amortisation is included in the following rows in the income statement:		
Cost of sold goods	-19.0	-13.8
Selling expenses	-6.5	-5.5
Administrative expenses	-19.4	-15.8
Total	-44.9	-35.1

The amount of goodwill represents the future economic benefits arising from the business acquisitions that are not individually identified and separately recognised and the value being established on the market with a functioning market organisation. The goodwill is split per operating segment. From 2019 the Nederman Group is divided into four operating segments; Nederman Extraction & Filtration Technology, Nederman Process Technology, Nederman Duct & Filter Technology and Nederman Monitoring & Control Technology.

Goodwill per operating segment, SEKm	2019	2018
Nederman Extraction & Filtration Technology	473.7	465.2
Nederman Process Technology	345.8	321.8
Nederman Duct & Filter Technology	19.0	18.6
Nederman Monitoring & Control Technology	773.7	377.7
Total	1,612.2	1,183.3

Cash generating unit	Annual growth during the forecast period, %	Annual growth after forecast period, %	Discount rate before tax, %*
Nederman Extraction & Filtration Technology	3.0 (3.0)	2.0 (2.0)	13.57 (10.95)
Nederman Process Technology	4.0 (5.0)	3.0 (3.0)	13.48 (10.57)
Nederman Duct & Filter Technology	3.0 (3.0)	1.0 (1.0)	13.74 (11.06)
Nederman Monitoring & Control Technology	14.0 (12.0)	8.0 (5.0)	10.83 (10.13)
Trademarks	2.0 (2.0)	2.0 (2.0)	12.92 (12.66)

*Discount rates before tax for 2018, stated in brackets, are excluding IFRS 16.

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL AND TRADEMARKS WITH INDETERMINABLE LIFETIME

GOODWILL

Goodwill is tested annually for impairment, or more frequently if there are indications of a reduction in value. The test is based on defined cash-generating units, which are the same as the operating segment and the values are based on discounted cash flows. The recoverable amounts have been determined on the basis of calculations of value in use. These calculations are based on projected cash flows by the management for a period of five years. The growth for the cash-generating units is based on historical growth, estimated market growth and expected price development. The forecasts reflect previous experience and external sources of information. Assumed growth is based on a cautious assumption and does not exceed the long-term growth of the industry as a whole.

Sensitivity analysis:

Sensitivity in all calculations means that the goodwill value will be defended even if the discount rate is raised by one percentage point or if long-term growth would fall by a percentage point. The annual test of goodwill did not reveal an impairment requirement. The senior executives are of the opinion however that no reasonable changes in important assumptions at the impairment test of the cash-generating units will result in a recoverable value lower than the carrying amount.

TRADEMARKS

In addition to goodwill there are acquired trademarks which are considered to have an indefinite useful life. The useful life is deemed indefinite if it is a question of a well-established brand in its market, which the Group intends to maintain and develop further. The brands that have been identified and valued were established in connection with the 2012 acquisition of EFT, 2018 year's acquisition of Auburn FilterSense and Luwa, and this year's acquisition of Gasmet. The cost of the trademarks were established at the time of the acquisition under the so-called relief from royalty method. Impairment testing is performed annually. The test includes an assessment of the royalty rate on the acquisition date and estimated future sales performance for five years. Sustained growth of 2 percent has been used. Cash flow for the period beyond five years has been calculated using a multiple applied to estimated sustainable cash flow. When calculating the present value of expected future cash flows, the current weighted average capital cost (WACC) for the market is used. For 2019, the discount rate amounts to 12.92 percent (12.66). Impairment testing is done in the fourth quarter, or whenever the need arises, and with the assumptions used showed there was no need for any impairment of trademarks with an indefinite useful life. The book value of trademarks with an indefinite useful life amounted to SEK 114.4m (92.5).

14 Tangible fixed assets

2019

SEKm	Land and buildings	Plant and machinery	Equipment, tools and fixtures	Total
Accumulated cost				
Opening balance	451.5	233.4	346.1	1,031.0
Business acquisition	1.3	0.1	10.6	12.0
Capital expenditure	4.0	19.1	20.4	43.5
Sold and scrapped	-0.2	-10.7	-20.5	-31.4
Translation differences	12.0	6.7	4.1	22.8
Closing balance	468.6	248.6	360.7	1,077.9
Accumulated depreciation and impairment				
Opening balance	-239.4	-173.4	-306.6	-719.4
Business acquisition	-0.4	-0.1	-4.1	-4.6
Depreciation	-11.4	-10.5	-12.8	-34.7
Sold and scrapped	0.0	9.3	19.7	29.0
Translation differences	-4.7	-4.9	-3.3	-13.0
Closing balance	-255.9	-179.6	-307.1	-742.6
Carrying amounts				
Opening balance	212.1	60.0	39.5	311.6
Closing balance	212.7	69.0	53.6	335.3

2018

SEKm	Land and buildings	Plant and machinery	Equipment, tools and fixtures	Total
Accumulated cost				
Opening balance	379.7	201.7	309.6	891.0
Business acquisition	44.9	20.7	27.3	92.9
Capital expenditure	9.3	6.2	8.5	24.0
Sold and scrapped	-3.6	-8.4	-5.4	-17.4
Reclassification	-	1.1	0.8	1.9
Translation differences	21.2	12.1	5.3	38.6
Closing balance	451.5	233.4	346.1	1,031.0
Accumulated depreciation and impairment				
Opening balance	-210.2	-152.6	-275.8	-638.6
Business acquisition	-11.3	-8.5	-20.7	-40.5
Depreciation	-9.9	-9.3	-9.6	-28.8
Sold and scrapped	1.6	6.3	4.5	12.4
Reclassifications	-0.0	-1.1	-0.4	-1.5
Translation differences	-9.6	-8.2	-4.6	-22.4
Closing balance	-239.4	-173.4	-306.6	-719.4
Carrying amounts				
Opening balance	169.5	49.1	33.8	252.4
Closing balance	212.1	60.0	39.5	311.6

Depreciation and impairment, SEKm	2019	2018
Depreciation is included in the following rows in the income statement:		
Cost of goods sold	-23.5	-18.3
Selling expenses	-6.0	-6.1
Administrative expenses	-5.2	-4.4
	-34.7	-28.8

15 Right-of-use assets

2019

SEKm	Land and buildings	Plant and machinery	Equipment, tools and fixtures	Total
Accumulated cost				
Opening balance	296.7	8.5	84.6	389.8
Business acquisition	50.4	-	1.0	51.4
New lease contracts	53.3	1.1	22.0	76.4
Terminated lease contracts	-34.1	-0.8	-24.6	-59.5
Revaluated lease contracts	3.0	-	0.1	3.1
Translation differences	4.3	0.1	0.7	5.1
Closing balance	373.6	8.9	83.8	466.3
Accumulated depreciation and impairment				
Opening balance	-134.0	-3.6	-41.2	-178.8
Depreciation	-41.1	-1.9	-24.1	-67.1
Terminated lease contracts	15.4	0.8	24.2	40.4
Revaluated lease contracts	-1.1	-	-0.3	-1.4
Translation differences	-1.7	-0.0	0.0	-1.7
Closing balance	-162.5	-4.7	-41.4	-208.6
Carrying amounts				
Opening balance	162.7	4.9	43.4	211.0
Closing balance	211.1	4.2	42.4	257.7

2018

SEKm	Land and buildings	Plant and machinery	Equipment, tools and fixtures	Total
Accumulated cost				
Opening balance	233.9	5.1	80.0	319.0
Business acquisition	48.3	-	0.3	48.6
New lease contracts	13.1	3.8	23.2	40.1
Terminated lease contracts	-10.8	-0.5	-20.6	-31.9
Revaluated lease contracts	6.0	-	0.2	6.2
Translation differences	6.2	0.1	1.5	7.8
Closing balance	296.7	8.5	84.6	389.8
Accumulated depreciation and impairment				
Opening balance	-100.8	-2.8	-36.4	-140.0
Business acquisition	-9.4	-	-0.1	-9.5
Depreciation	-31.9	-1.3	-24.1	-57.3
Terminated lease contracts	10.8	0.5	19.9	31.2
Translation differences	-2.7	-0.0	-0.5	-3.2
Closing balance	-134.0	-3.6	-41.2	-178.8
Carrying amounts				
Opening balance	133.1	2.3	43.6	179.0
Closing balance	162.7	4.9	43.4	211.0

The leased assets are pledged for the lease liabilities. See also note 27.

Depreciation and impairment, SEKm	2019	2018
Depreciation is included in the following rows in the income statement:		
Cost of goods sold	-27.3	-20.7
Selling expenses	-30.9	-30.1
Administrative expenses	-7.4	-5.0
Research and development expenses	-1.5	-1.5
Total	-67.1	-57.3

16 Other receivables

SEKm	2019	2018
Other receivables which are current assets		
VAT receivables	35.3	26.3
Contract assets	191.8	205.0
Fair value of foreign exchange forward contracts	1.2	1.9
Sub lease contracts	1.1	1.3
Other receivables	53.9	71.0
Total	283.3	305.5

Information about the Group's financial assets recognised as carrying amounts or as fair value, see note 26.

Contract assets

With sales of Solutions, Nederman recognises a contract asset, previously referred to as an "project work in progress, not invoiced", or a contract liability, previously referred to as "invoiced income not yet recognised concerning projects", in the statement of financial position when Nederman or the customer has fulfilled an obligation, depending on the relationship between Nederman's performance and the customer's payment. For information on sales of solutions, see Note 2 and for contract liabilities see Note 24.

17 Inventory

SEKm	2019	2018
Raw materials and consumables	273.6	248.9
Work in progress	157.0	135.9
Finished goods and tradable goods	179.7	177.2
Total	610.3	562.0
Impairment of inventory value reported gross	123.0	103.1
Change of obsolescence provision, SEKm	2019	2018
Opening balance	103.1	80.3
Business acquisition	-	20.9
Change in obsolescence reported in the income statement	20.7	2.8
Disposals	-2.7	-2.4
Reclassifications	-	-0.9
Effect of changes in currency exchange rates	1.9	2.4
Obsolescence provision at 31 December	123.0	103.1

18 Prepaid expenses and accrued income

SEKm	2019	2018
Rent/leasing	6.7	6.5
Computer/license costs	9.5	6.0
Insurance	3.5	1.3
Bank costs	0.2	1.2
Other	41.7	19.4
Total	61.6	34.4

19 Equity

Share capital and number of shares	2019	2018
Number of shares	35,146,020	35,146,020
Registered share capital, SEK	1,171,534	1,171,534

The par value of the shares is SEK 0.03.

Number of treasury shares held	2019	2018
Opening number of treasury shares held	57,267	19,089
Effect of share-related remuneration	-4,343	-
Effect of share split	-	38,178
Closing number of treasury shares held	52,924	57,267

Dividend

The Board of Directors propose a dividend of SEK 2.50 (2.30) per share, in total SEK 87.7m* (80.7). The dividend amount will be adopted by the AGM on 27 April 2020.

* Based on the number of shares outstanding on 31 December 2019. The dividend amount may be subject to change as treasury shares may be sold up to the record day of 21 April 2020.

Hedging reserve, SEKm	2019	2018
Cash flow hedging		
Value at the beginning of the year	1.2	1.3
Changes in fair value of cash flow hedges	0.0	-0.1
Tax relating to cash flow hedges	-	0.0
Value at the end of the period	1.2	1.2

Capital management

According to the Board's policy, the Group's financial objective is to achieve a good capital structure and financial stability in order to maintain the trust of investors, creditors and the market, and to form a good base for continued development of the business, while the long-term return generated for shareholders remains satisfactory.

Capital defined as total equity, SEKm	2019	2018
Total equity	1,378.2	1,234.9
Net debt/equity ratio, %	2019	2018
Interest-bearing liabilities and provisions	2,009.4	1,251.5
Cash and cash equivalents	-445.3	-463.9
Net debt	1,564.1	787.6
Net debt/equity ratio, %	113.5	63.8

The net debt/equity ratio increased compared with the preceding year as a result of increased net debt. Net debt was primarily negatively impacted by the increased debt resulting from the acquisition of Gasmet. Net debt was also negatively impacted by the higher lease liability attributable to the lease of properties in Gasmet and the Group's increased pension liability. The increased pension liability is mainly attributable to lower discount rates on the Group's defined-benefit pension plans. Net debt also increased due to currency effects from the external loans in USD and EUR. Equity was strengthened during the year due to improved profitability but was also positively affected by the translation reserve, mainly related to US dollar and euro. A favourable net debt/equity ratio and ample access to cash and cash equivalents provides an opportunity to take advantage of the growth prospects anticipated in the coming years, while the level of the ordinary dividend is expected to be maintained. For the same reason, issues of new shares will probably not be needed in the coming years, except in the event of major acquisitions.

The Group seeks to pay an ordinary dividend each year amounting to 30-50 percent of net profit for the year. The Board has proposed a dividend of SEK 2.50 per share to the Annual General Meeting in 2020, representing 6.4 percent of equity. In the past five years, the ordinary dividend has averaged around 6.6 percent of equity. This has meant that 39 percent of earnings per share has been distributed in ordinary dividends.

20 Earnings per share

Earnings per share, SEK	2019	2018
Earnings per share before dilution	6.43	5.78
Earnings per share after dilution	6.43	5.78
Net profit for the year, SEKm	2019	2018
This year's earnings attributable to the parent company's shareholders	225.8	202.8
Weighted average number of shares outstanding	2019	2018
Issued number of shares as of 31 December	35,146,020	35,146,020
Weighted average number of shares prior to dilution	35,093,096	35,088,753
Weighted average number of shares after dilution	35,093,096	35,088,753
Number of treasury shares held	2019	2018
Opening number of treasury shares held	57,267	19,089
Effect of share-related remunerations	-4,343	-
Effect of share split	-	38,178
Closing number of treasury shares held	52,924	57,267

For information about the Group's share-related remunerations, see note 22.

21 Interest-bearing liabilities

For more information about the company's exposure to interest rate risks and currency risks, see note 26.

Long-term liabilities, SEKm	2019	2018
Bank loans	1,575.6	917.4
Lease liabilities	208.4	174.6
Total	1,784.0	1,092.0
Current liabilities, SEKm	2019	2018
Current part of bank loan	5.0	8.1
Current part of lease liabilities	67.3	60.5
Total	72.3	68.6
Total interest-bearing liabilities	1,856.3	1,160.6

Terms and repayment due dates

For terms and repayments due dates see the table below. No security for the bank loans has been provided.

2019, SEKm	Currency	Nominal interest, %	Due date	Nominal amount original currency	Recorded amount
Bank loan (revolving)	SEK	0.700	2022-05-24	110.0	109.7
Bank loan (revolving)	SEK	0.700	2022-05-24	450.0	448.8
Bank loan (revolving)	SEK	0.764	2022-05-24	46.5	46.4
Bank loan (revolving)	EUR	0.700	2022-05-24	14.2	147.7
Bank loan (revolving)	EUR	0.700	2022-05-24	7.7	80.1
Bank loan (revolving)	USD	2.714	2022-05-24	26.3	244.3
Bank loan	SEK	0.764	2022-05-24	300.0	299.3
Bank loan	SEK	0.564	2022-05-24	200.0	199.4
Bank loan (revolving)	USD	0.037	2020-01-08	0.5	4.9
Lease liabilities					275.7
Total interest bearing liabilities					1,856.3

2018, SEKm	Currency	Nominal interest, %	Due date	Nominal amount original currency	Recorded amount
Bank loan (revolving)	USD	4.320	2019-03-26	0.4	3.6
Bank loan (revolving)	USD	3.910	2019-01-07	0.5	4.5
Bank loan (revolving)	SEK	0.900	2020-12-28	57.5	57.5
Bank loan (revolving)	SEK	0.900	2020-12-28	215.0	214.9
Bank loan (revolving)	USD	3.406	2020-12-28	25.1	225.2
Bank loan (revolving)	EUR	0.900	2020-12-28	14.2	146.0
Bank loan (revolving)	SEK	0.750	2020-06-01	274.0	273.8
Lease liabilities					235.1
Total interest bearing liabilities					1,160.6

22 Pensions and benefits to senior executives

Defined-benefit pension plans

Defined-benefit net liability, reported in statement of financial position, SEKm	2019	2018
Defined-benefit obligation	510.6	432.2
Fair value of plan assets	357.5	341.3
Deficit (+) / Surplus (-)	153.1	90.9
whereof plans with net surplus	-	33.0
Present value of unfunded obligations	510.6	432.2
Total present value of defined-benefit obligations	510.6	432.2
Fair value of plan assets	-357.5	-341.3
Net liability	153.1	90.9

Overview, defined-benefit plans

The Group has defined-benefit plans that pay remuneration in the form of old-age pensions and remuneration for healthcare costs to employees when they retire in Sweden, Germany, the USA, France, Poland, Thailand, Norway and Switzerland. Costs for service during the current period are posted directly to the income statement. However, most are closed obligations where no additional benefits are earned. Defined-benefit plans are exposed to actuarial risks such as length of life, currency, interest and investment risks.

Change in present value of defined-benefit obligations, SEKm	2019	2018
Obligations for defined benefit plans, 1 January	432.2	146.6
Business acquisition	-	256.1
Payment of pension benefits	-25.5	-6.1
Cost of service in current period	15.2	5.8
Contribution and payments from plan participants	3.7	0.8
Interest cost	6.1	3.4
Revaluations		
- Actuarial gains and losses for the revised demographic assumptions	-1.6	-0.5
- Actuarial gains and losses for changes in financial assumptions	49.6	1.4
- Experience-based gains/losses	14.4	15.6
Translation differences	16.5	9.1
Obligations for defined benefit plans, 31 December	510.6	432.2
Changes in fair value of defined-benefit plan assets, SEKm	2019	2018
Fair value of plan assets, 1 January	341.3	23.2
Business acquisition	-	301.6
Payments to plans	13.3	6.9
Benefit payments from plans	-18.6	-0.1
Interest income on plan assets	3.8	1.1
Return on plan assets, excl interest income	1.5	1.9
Translation differences	16.2	6.7
Fair value of plan assets, 31 December	357.5	341.3
Costs reported in profit for the year, SEKm	2019	2018
Costs for service in current period	15.2	5.8
Net interest	2.3	2.3
Total net costs in the income statement	17.5	8.1
of which, amounts affecting operating profit	15.2	5.8
of which, amounts affecting financial costs	2.3	2.3
Total net costs	17.5	8.1

22 Pensions and benefits to senior executives, cont'd

Costs recognised in other comprehensive income, SEKm	2019	2018
Revaluations of pension commitments	-62.7	-16.5
Return on plan assets	1.5	1.9
Translation differences on foreign plans	-1.2	-0.9
Revaluation of defined-benefit net liabilities in other comprehensive income	-62.4	-15.5

Assumptions for defined-benefit obligations, %	Norway	Sweden	Switzerland	Germany	USA
Discount rate at 31 December	2.3 (2.6)	1.1 (2.0)	0.2 (1.0)	1.0 (2.0)	2.3 (3.7)
Future increase in medical expenses	- (-)	- (-)	- (-)	- (-)	-5.0 (-5.0)
Future pension increases	2.0 (2.5)	1.7 (2.0)	0.3 (0.8)	1.5 (1.5)	- (-)

Sensitivity analysis

The following table presents possible changes in actuarial assumptions on the closing date, with the other assumptions unchanged, and how these would impact on the defined-benefit obligation.

SEKm	Increase	Decrease
Increase/decrease in discount rate (0.5% change)	-42.3	48.5
Increase/decrease in health care costs (1% change)	-0.2	-0.2

Future cash flow

As of 31/12/2019 the weighted average duration of commitments was 14.6 years (15.7). Expected payments in 2019 for defined-benefit pension plans amount to SEK 17.4m.

Pension plans covering several employers

Obligations for old-age pensions and family pensions for employees in Sweden are safeguarded via insurance in Alecta. According to a statement from the Swedish Financial Accounting Standards Council, UFR 10, this is a defined-benefit plan that covers multiple employers. For the financial year 2019 the company has not had access to such information which makes it possible to report this plan as a defined-benefit plan. The pension plan according to ITP which is safeguarded via insurance in Alecta is therefore reported as a defined-contribution pension plan. The annual charges for retirement annuities which are covered by Alecta amounts to SEK 7.1m (7.3). Alecta's surplus can be distributed to the holders of the insurance policies and/or the insured parties. The Group's share of total savings premiums for ITP in Alecta amounted to 0.035 percent (0.040) and the Group's share of the total number of active insured individuals amounts to 0.026 percent (0.028). At the end of 2019, Alecta's surpluses, in the form of the collective consolidation level, amounted to 148 percent (142). The collective consolidation level consists of the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's actuarial assumptions, which are not in accordance with IAS 19.

DEFINED-CONTRIBUTION PLANS

In Sweden the Group has defined-contribution pension plans paid in full by the companies. Outside of Sweden, there are defined-contribution plans, which are paid for partly by the subsidiaries, and partly by payment from the employees. Payments into these plans are continual in accordance with the rules for each plan.

SEKm	2019	2018
Costs for defined-contribution pension plans	49.6	47.1

BENEFITS TO EXECUTIVE OFFICERS

Principles for compensation to the Board of Directors

Directors' fees are paid to the Chairman of the Board of Directors and other members according to the decision of the Annual General Meeting. Employee representatives in the Board of Directors do not receive director's fees. The 2019 Annual General Meeting decided that fees to the board for its work in 2019 would amount to SEK 540t to the chairman of the board and SEK 260t to Ylva op den Velde Hammargren, Johan Menckel, Gunilla Fransson och Sam Strömerstén.

Principles for compensation to CEO and Group president Remuneration

Compensation is paid to the CEO and Group CEO in the form of a base salary, pensions and variable compensation. During 2019, the base salary was SEK 4,500t. The variable compensation can amount to at most 50 percent of the total fixed salary. Any variable compensation is established on the basis of the Nederman Group's earnings per share. In 2019, remuneration to the CEO and Group CEO was SEK 7,618t, of which SEK 1,608t consisted of variable remunerations and SEK 1,364t of pension premium expenses.

Notice period for termination of employment and severance pay

For a notice of resignation from the CEO, an advance notice of 6 months is required. With notice of termination of employment on the part of the company, the CEO has the right to a payment corresponding to 18–24 monthly salaries. The six last months with a reservation regarding new employment.

Pension payments

Pension age for the CEO and Group CEO is 65 years. The pension plan is premium-based pension plan and the annual premium corresponds to maximum 35 percent of the pension based salary. The company's obligation is limited to the payment of the annual premium. During 2019 the premium expenses were SEK 1,364t for the CEO and Group CEO.

Principles for compensation to managers at subsidiaries

Managing Directors at subsidiaries have termination of employment contracts with 6–12 months' salary.

Principles for remuneration to other senior executives Remuneration

The remuneration is determined by the remuneration committee in accordance with principles determined by the 2019 AGM and consists of base salary, pension contribution, variable compensation and other benefits. For other members in the Group management the variable compensation may amount to no more than 30 percent of the fixed salary. Any variable compensation and its size is determined by the CEO in consultation with the Chairman of the board, based upon the result and tied-up capital in the Nederman Group. In 2019, remuneration to the rest of the senior executives was SEK 26,937t, of which SEK 1,017t consisted of variable remunerations and SEK 3,713t of pension premium expenses.

Notice period for termination of employment and severance pay

Other members in the Group management have a twelve-month notice period for termination of employment if it is initiated on the part of the company, and six months if they give notice. During the period of notice, other members in the Group management are entitled to full salary and other employment benefits. None of the other members of the Group management are entitled to severance pay.

Pension payments

For other members of the Group management the pension age is 65 years. The pension premiums shall be based on a contractual ITP plan with exception for three member where the premiums corresponds to maximum 30 percent of the fixed salary, the individual concerned is subject to defined benefit pension or under mandatory collective agreement provisions. Variable remuneration shall qualify for pension benefits.

22 Pensions and benefits to senior executives, cont'd

Compensation and other benefits during 2019

SEKt	Base salary Board fees	Variable remuneration	LTI	Other benefits	Pension expenses	Total
Chairman of the board Johan Hjertonsson	540	-	-	-	-	540
Member of the board Ylva op den Velde Hammargren	260	-	-	-	-	260
Member of the board Gunilla Fransson	260	-	-	-	-	260
Member of the board Johan Menckel	260	-	-	-	-	260
Member of the board Sam Strömerstén	260	-	-	-	-	260
CEO Sven Kristensson	4,500	1,608	-	146	1,364	7,618
Other senior executives (10 individuals)	21,127	1,017	-	1,080	3,713	26,937
Total	27,207	2,625	-	1,226	5,077	36,135
of which subsidiaries (6 individuals)	14,948	415	-	723	1,881	17,967

Compensation and other benefits during 2018

SEKt	Base salary Board fees	Variable remuneration	LTI	Other benefits	Pension expenses	Total
Chairman of the board Jan Svensson	500	-	-	-	-	500
Member of the board Johan Hjertonsson	250	-	-	-	-	250
Member of the board Ylva op den Velde Hammargren	250	-	-	-	-	250
Member of the board Gunilla Fransson	250	-	-	-	-	250
Member of the board Johan Menckel	250	-	-	-	-	250
CEO Sven Kristensson	4,492	932	485	164	1,357	7,430
Other senior executives (8 individuals)	14,956	2,260	781	1,361	3,488	22,846
Total	20,948	3,192	1,266	1,525	4,845	31,776
of which subsidiaries (4 individuals)	9,485	1,573	496	1,026	1,578	14,158

LTI (LONG TERM INCENTIVE)

The Annual General Meeting held on 29 April 2019 approved the Board's proposal that the annual programmes for variable remuneration shall be able to be supplemented by a programme for long-term bonuses (LTI). Consequently, the 2019-2020 LTI programme has been established for a period of two years and is targeted in a way that makes it particularly favourable for the company's shareholders. The result of the LTI programme for the senior executives (net after income tax), shall be reinvested in share warrants in Nederman or in Nederman shares. Share warrants require the approval upon a relevant future AGM at Nederman. The reinvested shares and warrants are expected to be maintained by the senior executive during his time of employment, but at least three years. The 2019-2020 LTI programme covers two years and can be a maximum of 35 per cent of an annual salary for the CEO, and 20 percent of an annual salary for other senior executives.

23 Provisions

Provisions included in long-term liabilities, SEKm	2019	2018
Restructuring/severance pay	0.3	0.3
Warranty commitments	13.5	12.0
Loss contracts	2.8	0.7
Other	4.4	4.1
Total	21.0	17.1
Provisions included in current liabilities, SEKm	2019	2018
Warranty commitments	22.4	24.1
Loss contracts	-	0.4
Other	3.8	3.6
Total	26.2	28.1
Restructuring/severance pay, SEKm	2019	2018
Reported value, opening balance	0.3	0.4
Translation differences	-0.0	-0.1
Total	0.3	0.3
Warranty commitments, SEKm	2019	2018
Reported value, opening balance	36.1	26.1
Provisions during the period	12.0	11.0
Utilised during the period	-8.6	-10.5
Business acquisition	-	10.9
Reclassifications	-0.5	2.0
Unutilised amount reversed during the period	-3.9	-4.5
Translation differences	0.8	1.1
Total	35.9	36.1

23 Provisions, cont'd

Loss contracts, SEKm	2019	2018
Reported value, opening balance	1.1	2.9
Provisions during the period	2.4	-
Utilised during the period	-0.2	-1.4
Reclassifications	-0.4	-
Translation differences	-0.1	-0.4
Total	2.8	1.1
Other, SEKm	2019	2018
Reported value, opening balance	7.7	5.6
Provisions during the period	2.7	5.7
Utilised during the period	-2.2	-2.4
Business acquisition	-	2.2
Reclassifications	0.4	-1.2
Unutilised amount reversed during the period	-0.7	-2.0
Translation differences	0.3	-0.2
Total	8.2	7.7
Total provisions, SEKm	2019	2018
Reported value, opening balance	45.2	35.0
Provisions during the period	17.1	16.7
Utilised during the period	-11.0	-14.3
Business acquisition	-	13.1
Reclassifications	-0.5	0.8
Unutilised amount reversed during the period	-4.6	-6.5
Translation differences	1.0	0.4
Total	47.2	45.2

Warranty commitments

Warranties are provided for sales depending on the nature and use of the product. Warranty conditions provided ensure that the product or solution concerned will function as the parties intended and that it meets agreed specifications. No warranties are sold separately and no warranties are provided to the customer as a separate service. Based on what the warranty covers and with requirements as to how the product is to be used/maintained, warranties provided are not regarded as separate performance obligations but are recognised instead as a provision. Warranty provisions are based on estimations based on historical experience and assumptions deemed reasonable under the prevailing circumstances for the individual case. Actual results may differ from these estimates and assessments. Estimates and assumptions are reviewed on a regular basis.

24 Other liabilities

Other long-term liabilities, SEKm	2019	2018
Deferred payment of acquisition price upon business acquisition (see more in note 4)	-	230.0
Other liabilities	4.9	1.7
Total	4.9	231.7
Other short-term liabilities, SEKm	2019	2018
Deferred payment of acquisition price upon business acquisition (see more in note 4)	73.7	-
Personnel-related liabilities	50.5	41.4
VAT payable	37.7	32.7
Fair value of currency derivatives	-	0.2
Contract liabilities	379.9	440.3
Other liabilities	11.6	18.5
Total	553.4	533.1

Information about the Group's financial liabilities recognised as carrying amounts or as fair value, see note 26.

Contract liabilities

With sales of Solutions, Nederman recognises a contract asset, previously referred to as an "project work in progress, not invoiced", or a contract liability, previously referred to as "invoiced income not yet recognised concerning projects", in the statement of financial position when Nederman or the customer has fulfilled an obligation, depending on the relationship between Nederman's performance and the customer's payment. Contract liabilities are reported as revenue when the performance obligation is fulfilled. For information on sales of solutions, see Note 2 and for contract assets see Note 16.

25 Accrued Expenses and Prepaid Income

SEKm	2019	2018
Personnel-related expenses	140.7	111.0
Interest expenses	1.4	0.1
Audit expenses	5.3	4.4
Sales expenses	7.1	9.0
Freight and customs expenses	0.8	0.2
Other	46.5	37.3
Total	201.8	162.0

26 Financial risks and financial policies

RISKS AND UNCERTAINTIES - FINANCIAL POLICY

The Nederman Group is exposed to a number of risks that arise mainly due to the fact that the Group purchases and sells products in foreign currencies. Exchange rates and interest rate levels affect the Group's earnings and cash flows. The Nederman Group is also exposed to refinancing and liquidity risk as well as credit and counterparty risk. It is the Board of Directors that determines the policies for risk management. The Nederman Group has a central finance function which is responsible for identifying and effectively limiting the Group's financial risks. The finance function reports via the CFO to the Board of Directors.

LIQUIDITY RISKS

The liquidity in the Group is not exposed to large seasonal fluctuations. In 2019, the Group refinanced its external loans and entered into a revolving credit facility of SEK 1,500m with SEB and SHB. In addition, the Group entered into a bilateral loan agreement with Svensk Export Kredit of SEK 500m. The agreements have a three year maturity with extension options for two additional years. At the end of the period, the Group had a credit facility of SEK 420m within the framework of Nederman's loan agreement with SEB and SHB. The Group also has a revolving short-term credit facility with SHB for USD 0.5m, equivalent to SEK 5.0m. At year-end, SEK 5m of this credit facility had been utilised. During the year, borrowing totalled SEK 1,689m (223) and repayments of SEK 1,137m (162) were made. In the event of a change of ownership where one or more parties acting together acquires shares representing more than 50 percent of the votes in the Company, the banks have the right under certain conditions to terminate the contract prematurely.

INTEREST RATE RISKS

The Nederman Group is exposed to interest rate risk through its net debt. The Group's interest-bearing assets and liabilities have floating interest rates or a maximum term of three months, according to the funding agreement with the Group's lenders. A change in the interest rate of 1 percentage point would have affected net financial items in 2019 by SEK 11.8m (7.9), calculated on average net debt for the year. The Nederman Group has determined that reasonable changes in interest rates do not affect the Group's earnings to such a material extent that there is a need to secure interest rates through financial instruments. This assessment is updated on an ongoing basis.

EFFECTIVE RATES OF INTEREST AND MATURITY STRUCTURE

The table below shows the effective rate of interest on the balance sheet date and the financial liabilities' maturity structure/interest rate negotiations. The effective rate of interest is 1.83 percent (1.77).

2019, SEKm	Interest rate, %	Interest extension Time	Currency	Nominal amount in original currency	Total	Within 3 months	Between 3 and 12 months	Between 1 and 3 yrs	Between 3 and 5 yrs	Later than 5 yrs
Bank loan (revolving)	0.700	2020-02-03	SEK	110.0	114.9	0.5	1.5	112.9	-	-
Bank loan (revolving)	0.700	2020-01-07	SEK	450.0	470.0	2.1	6.2	461.7	-	-
Bank loan (revolving)	0.764	2020-02-28	SEK	46.5	48.5	0.2	0.6	47.7	-	-
Bank loan (revolving)	0.700	2020-02-28	EUR	14.2	154.7	0.7	2.0	152.0	-	-
Bank loan (revolving)	0.700	2020-03-19	EUR	7.7	83.9	0.4	1.1	82.4	-	-
Bank loan (revolving)	2.714	2020-02-28	USD	26.3	255.9	1.1	3.4	251.4	-	-
Bank loan	0.764	2020-02-28	SEK	300.0	313.3	1.4	4.1	307.8	-	-
Bank loan	0.564	2020-02-28	SEK	200.0	208.8	0.9	2.7	205.2	-	-
Bank loan (revolving)	0.037	2020-01-08	USD	0.5	4.7	4.7	-	-	-	-
Lease liabilities					275.7	17.9	49.4	107.3	53.3	47.8
Accounts payable					423.2	367.5	55.7	-	-	-
Derivatives					1.2	-	1.2	-	-	-
Total					2,354.8	397.4	127.9	1,728.4	53.3	47.8
2018, SEKm										
Bank loan (revolving)	4.320	2019-03-26	USD	0.4	3.6	3.6	-	-	-	-
Bank loan (revolving)	3.910	2019-01-07	USD	0.5	4.5	4.5	-	-	-	-
Bank loan (revolving)	0.900	2019-03-29	SEK	57.5	59.6	0.3	0.8	58.5	-	-
Bank loan (revolving)	0.900	2019-03-29	SEK	215.0	222.7	1.0	2.9	218.8	-	-
Bank loan (revolving)	3.406	2019-01-31	USD	25.1	233.3	1.0	3.0	229.3	-	-
Bank loan (revolving)	0.900	2019-03-29	EUR	14.2	151.1	0.6	1.9	148.6	-	-
Bank loan (revolving)	0.750	2019-03-29	SEK	274.0	280.8	1.2	3.6	276.0	-	-
Lease liabilities					235.1	15.6	44.9	94.4	59.9	20.3
Accounts payable					444.6	389.7	54.9	-	-	-
Derivatives					1.7	0.0	1.9	-0.2	-	-
Total					1,637.0	417.5	113.9	1,025.4	59.9	20.3

26 Financial risks and financial policies. cont'd

The Group's agreements with SEB and SHB as well as Svensk Export Kredit concerning bank loans contain net debt covenants whereby the net debt/EBITDA ratio may not exceed 3.5 times and the interest cover ratio may not be less than 3.75. All covenants were fulfilled on the balance sheet date.

The interest rate on the loans changes on an ongoing basis, but normally every three months.

According to the Group's financial policy, the Board of Directors will determine from time to time whether interest rate swaps will be used to hedge interest rate levels. Currently, there are no interest rate hedges in accordance with the Board's decision. This decision may be reviewed in the event of an increase in loan exposure.

The Group's financial liabilities, excluding pension provisions, at year-end totalled SEK 1,856.3m, of which SEK 1,580.6m in revolving credit facilities and SEK 275.7m in lease liabilities. The overdraft facilities were not utilised.

The Group had SEK 445.3m in cash and cash equivalents and SEK 94.2m in available but unutilised overdraft facilities. In addition, there was a further credit facility of SEK 420.0m within the framework of Nederman's loan agreement with SEB and SHB. Accordingly, there were available funds totalling SEK 959.5m on 31 December 2019.

CREDIT RISKS

Credit risks in accounts receivable and contract assets.

The risk that the Group's customers might not pay their accounts receivable and contract assets constitutes a customer credit risk. To limit this risk, the Nederman Group employs credit policies that limit outstanding amounts and the credit period for different customers. For new customers and new markets, letters of credit or advance payments normally apply. For established customer relationships, credit limits are carefully monitored to limit the risk. In some cases, credit insurance is used to secure accounts receivable. The Group's largest individual customer accounted for 1.4 percent of sales. The five largest customers accounted for 4.6 percent of sales. The Company's risk spread can thus be regarded as very good. Ongoing risk assessments are carried out of accounts receivable and contract assets, and given that customers operate in several different industries and markets, the risks are deemed to be low.

Provisions for bad debts are based on expected credit losses for their remaining time to maturity. Impairment is carried out on an individual case assessment basis. The Group's bad debt losses in 2019 amounted to SEK 11.0m. Of the Group's total account receivables of SEK 619.3m, net of impairment, 5.3 percent (6.9) comprise accounts receivable overdue by more than 90 days. Provisions for credit losses amounted to SEK 28.2m (28.9) at 31 December 2019, equivalent to 4.3 percent (4.8) of the gross total accounts receivable.

In major projects recognised as contract assets or contract liabilities, payment terms with a fixed payment plan are applied, with the payments based on the degree of completion. Expected losses are expensed as soon as they are known.

Accounts receivable maturity structure, SEKm	2019					2018				
	Not yet due	Overdue accounts receivable, days				Not yet due	Overdue accounts receivable, days			
		1-30	31-90	>90	Total		1-30	31-90	>90	Total
Accounts receivable, gross	403.9	126.2	57.4	60.0	647.5	402.3	93.0	46.1	66.3	607.7
Expected credit losses	-0.2	-0.1	-0.8	-27.1	-28.2	-4.6	2.4	-0.1	-26.6	-28.9
Accounts receivable, net	403.7	126.1	56.6	32.9	619.3	397.7	95.4	46.0	39.7	578.8
Credit loss level, %	0.0	0.1	1.4	45.2	4.3	1.1	-2.6	0.2	40.1	4.8

Change in credit loss provision	2019	2018
Opening balance	-28.9	-25.7
Business acquisition	-1.4	-5.2
Provisions for uncertain receivables	-10.5	-3.2
Receivables written off and not recoverable	10.3	0.4
Reversed provisions	2.9	4.3
Translation differences	-0.6	0.5
Closing balance	-28.2	-28.9

Other counterparties

Credit exposure arises when cash and cash equivalents are invested and in conjunction with trading in derivatives. The risk of a counterparty not fulfilling its commitment is limited by selecting creditworthy counterparties. According to the Group's financial policy, cash and cash equivalents are deposited only in reputable banks ("first-class banks").

Foreign currency risks

Through its international operations, the Nederman Group is exposed to currency risk since exchange rate fluctuations affect the Group's income statement and balance sheet. The Group's currency exposure includes both transaction exposure and translation exposure.

Transaction exposure

Transaction exposure arises when the Group's companies buy in one currency and sell in another currency. In order to limit transaction exposure in the Nederman Group, the general rule is that supply companies sell to sales companies in the sales companies' local currencies. In this way, the transaction exposure in sales companies is low.

The largest supply company is located in Sweden and 57 percent of purchases from this supply company are made in SEK. Other purchases are mainly in EUR and to a lesser extent in USD.

26 Financial risks and financial policies. cont'd

Invoicing in the Group was, %	2019
USD	28
EUR	18
CNY	10
SEK	6
CHF	6
NOK	6
GBP	5
DKK	4
PLN	3
INR	3
CAD	2
AUD	2
TRL	2
Other	5

A change in exchange rates of +/- 3 percent has an impact on the operating profit of:

SEKm	2019		2018	
	-3%	+3%	-3%	+3%
EUR	-0.5	0.5	-1.3	1.3
USD	-4.3	4.3	-4.6	4.6
GBP	-0.7	0.7	-0.5	0.5
PLN	-1.7	1.7	-1.2	1.2
NOK	-1.3	1.3	-1.0	1.0
CNY	-1.6	1.6	-0.8	0.8

The above table is based on the Groups net flows in these currencies as well as the translation impact on the Group's Income Statement.

Period when cash flow hedges affect earnings

SEKm	2020				
	Q1	Q2	Q3	Q4	Total
Foreign exchange forwards, CHFm	-	-	-	1.2	1.2

FAIR VALUE

Fair value corresponds in all material aspects to carrying amount in the balance sheet. The majority of the Group's financial instruments consist of accounts receivable, contract assets, cash and cash equivalents, interest-bearing loans, accounts payable and other liabilities, which are measured at amortised cost. For these categories of financial instrument, amortised cost is consistent with fair value. However, the Group holds derivative instruments that are classified as assets and liabilities measured at fair value in profit or loss. The carrying amount and fair value of these instruments can be found in the tables below. The measurement at fair value for such assets has been based on directly observable market data which are not quoted in an active market (level 2).

According to the Group's financial policy, 70 percent of the expected currency flows in foreign currencies can be hedged for a maximum of eight months forward. In cases where there is currency exposure for tangible projects, the currency exposure is hedged. In 2019, the Nederman Group used foreign exchange forwards to hedge currency exposure from a deferred purchase consideration in conjunction with an acquisition. These foreign exchange forwards are assessed on an ongoing basis at fair value, with recognition of value adjustments in net financial items in the income statement. On the closing date in 2019, a loss of SEK 0.5m was recognised in net financial items.

The table below shows when the derivatives related to cash flow hedges are expected to affect earnings. Gains or losses are recognised in the income statement in the period in which the forecast hedged items affect earnings. Cash flow is expected to be affected in the corresponding periods when the derivatives affect earnings.

Calculation of fair value.

Instruments measured at fair value are classified in the following three levels:

1. The fair value of listed financial instruments is based on current market quotations on the balance sheet date.
2. For unlisted financial instruments, or if the market is not active, the value is determined by applying valuation techniques, whereby the Group makes assumptions based on the market conditions prevailing at the balance sheet date. Market interest rates form the basis for the calculation of the fair value of long-term loans.
3. For financial instruments whose measurement is not based on observable data, meaning their market value is not specified, fair value is deemed consistent with the carrying amount.

The market value that formed the basis for measurement at fair value has been determined based on directly observable market data which are not quoted in an active market (level 2).

26 Financial risks and financial policies. cont'd

		2019				2018			
Carrying amounts and fair values for financial instruments SEKm	Note	Fair value via the income statement	Fair value via other comprehensive income	Amortised cost	Total	Fair value via the income statement	Fair value via other comprehensive income	Amortised cost	Total
Financial assets									
Accounts receivable		-	-	619.3	619.3	-	-	578.8	578.8
Foreign exchange forwards*) level 2	16	1.2	-	-	1.2	1.9	0.0	-	1.9
Other current receivables	16	-	-	282.1	282.1	-	-	302.3	302.3
Cash and cash equivalents	29	-	-	445.3	445.3	-	-	463.9	463.9
Total		1.2	-	1,346.7	1,347.9	1.9	0.0	1,345.0	1,346.9
Financial liabilities									
Lease liabilities	21	-	-	-275.7	-275.7	-	-	-235.1	-235.1
Bank loans	21	-	-	-1,580.6	-1,580.6	-	-	-925.5	-925.5
Accounts payable		-	-	-423.2	-423.2	-	-	-444.6	-444.6
Foreign exchange forwards*) level 2	24	-	-	-	-	-0.2	-0.0	-	-0.2
Other long-term liabilities	24	-	-	-4.9	-4.9	-	-	-231.7	-231.7
Other current liabilities	24, 25	-	-	-755.2	-755.2	-	-	-694.9	-694.9
Total		-	-	-3,039.6	-3,039.6	-0.2	-0.0	-2,531.8	-2,532.0

Financial instruments assessed at fair value

Type	Assessment method	Essential non-observable input	Connection between essential non-observable input and calculation of fair value
Market rates:			
Foreign exchange forward contracts	Fair values are based on quotations of brokers. Similar contracts traded in an active market and rates reflect actual transactions on comparable instruments.	ET	ET

Financial instruments not assessed at fair value

Type	Assessment method	Essential non-observable input
Other financial liabilities *)	Discounted cash flows	ET

*) Other financial liabilities refer to bank loans, lease liabilities and accounts payable.

NETTING AGREEMENTS AND SIMILAR AGREEMENTS

The Group is included in derivative contracts under the International Swaps and Derivatives Association (ISDA) master netting agreements. The agreements mean that when a counterparty is unable to settle its obligations under all transactions, the agreement is broken and all outstanding balances are to be settled in a net amount. ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because off-setting under ISDA agreements is only permitted if the other party or group cannot settle their obligations. Moreover, it is not

the counterparty's or the Group's intention to settle transactions on a net basis, or at the same time.

The information in the table below shows the financial instruments that are covered by a legally enforceable framework agreement for netting or a similar agreement.

2019, SEKm	Note	Financial assets	Financial liabilities	Net amount in report of financial position	Financial instrument which are not netted	Net amounts
Financial assets						
Currency derivatives	16	1.2	-	-	-	1.2
2018, SEKm						
Financial assets						
Currency derivatives	16	1.9	-	-	-	1.9
Financial liabilities						
Currency derivatives	24	-	-0.2	-	-	-0.2

26 Financial risks and financial policies. cont'd

The following forward buy foreign exchange contracts had been signed as at balance sheet date:

Currency	Amount to receive in original currency	Amount to sell SEKm	Recognised value SEKm	Market value, SEKm
CHFm	2.7	25.0	1.2	1.2
Total market value			1.2	1.2

Translation exposure

Net assets in the Group are divided across the following currencies:

Currency, SEKm		2019		2018
SEK	681.6	49%	681.1	55%
EUR	284.4	21%	241.6	20%
GBP	57.6	4%	48.4	4%
USD	171.2	12%	42.5	3%
NOK	63.2	5%	59.9	5%
PLN	154.4	11%	108.6	9%
CNY	102.1	7%	118.2	10%
DKK	-135.0	-10%	-132.6	-11%
CHF	-85.0	-6%	-40.2	-3%
INR	74.3	5%	67.9	5%
THB	-41.4	-3%	-11.2	1%
Other	50.8	5%	50.7	2%
Total	1,378.2	100%	1,234.9	100%

27 Pledged assets and contingent liabilities

Pledged assets, SEKm	2019	2018
Pledged assets for debts and provisions		
Assets with ownership restrictions (right-of-use assets)	466.3	389.8
Total	466.3	389.8
Contingent liabilities, SEKm	2019	2018
FPG/PRI	0.7	0.8
Warranty commitments	100.1	132.4
Total	100.8	133.2

28 Related parties

No member of the Board of Directors or senior executives have or have had any direct or indirect participation in any business transaction with Group companies which is or was of an exceptional character with regard to terms and conditions that occurred during the year or in any previous year. Nor has any Group company provided any loan, given any guarantees or entered into any surety relationships for any of the members of the Board of Directors or senior executives. For intercompany transactions see, accounting principles note 1.

TRANSACTIONS WITH KEY PERSONS IN LEADING POSITIONS

Regarding the salaries and other remuneration, costs and commitments for pensions and similar benefits, and severance payment agreements, for Board members, the CEO and other senior executives, see note 22.

29 Statement of cash flow

Liquid funds, SEKm	2019	2018
Subcomponents of cash and cash equivalents:		
Cash and cash equivalents	445.3	463.9
Total according to statement of financial position	445.3	463.9
Adjustments for items not included in cash flow, SEKm	2019	2018
Capital gain/loss on sale of tangible assets	-0.6	-7.0
Capital gain/loss on terminated lease contracts before the end date	-1.2	-
Provisions	1.0	-3.4
Total	-0.8	-10.4
Unused credits, SEKm	2019	2018
Disposable funds	959,5	1 027,1

FINANCIAL ACTIVITIES

The below table shows changes in liabilities included in financial activities.

	Amount beginning of the year	Cash flow	Items not affecting cash flow				Amount at year end
			Business acquisition	Interest and fees	Exchange rate gains/losses	Change in lease liabilities	
2019, SEKm							
Long-term interest-bearing liabilities - bank loans	917.4	555.7	90.0	-	12.5	-	1,575.6
Short-term interest-bearing liabilities - bank loans	8.1	-3.7	-	-	0.6	-	5.0
Lease liabilities	235.1	-67.0	51.4	-	4.3	51.9	275.7
Other		0.4					
Total		485.4					
	Amount beginning of the year	Cash flow	Items not affecting cash flow				Amount at year end
			Business acquisition	Interest and fees	Exchange rate gains/losses	Change in lease liabilities	
2018, SEKm							
Long-term interest-bearing liabilities - bank loans	822.2	53.1	5.1	0.5	36.5		917.4
Short-term interest-bearing liabilities - bank loans	0.2	8.1	-	-	-0.2		8.1
Lease liabilities	202.2	-56.8	40.9	-	5.0	43.8	235.1
Other		-0.6					
Total		3.8					

30 Alternative performance measure

In addition to information on our reported IFRS results, we provide certain information on an underlying business performance basis. We believe that our underlying business performance measures provide meaningful supplemental information to both management, investors and other stakeholders. These underlying business performance measures should not be viewed in isolation or as substitutes to the equivalent IFRS measures, but should be used in conjunction with the most directly comparable IFRS measures in the reported results. This is a consistent application compared to previous periods. See page 145 for definitions.

The following underlying business measures are used:

Adjusted operating profit, Adjusted operating margin, EBITA, Adjusted EBITA, Adjusted EBITA margin, EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Equity/asset ratio, Net debt, Net debt/equity ratio, Operating capital, Return on equity, Return on operating capital, Capital turnover ratio, Net debt/adjusted EBITDA, Adjusted EBITDA/Net financial items, Interest cover ratio, Order growth and Sales growth.

SEKm	2019	2018
Operating profit	343.2	305.7
Acquisition costs	5.9	13.2
Adjusted operating profit	349.1	318.9
Adjusted operating profit	349.1	318.9
Net sales	4,307.7	3,553.9
Adjusted operating margin, %	8.1	9.0
Operating profit	343.2	305.7
Amortisation intangible assets	44.9	35.1
EBITA	388.1	340.8
EBITA	388.1	340.8
Acquisition costs	5.9	13.2
Adjusted EBITA	394.0	354.0
Adjusted EBITA	394.0	354.0
Net sales	4,307.7	3,553.9
Adjusted EBIT margin, %	9.1	10.0
Operating profit	343.2	305.7
Depreciation	146.7	121.2
EBITDA	489.9	426.9
EBITDA	489.9	426.9
Acquisition costs	5.9	13.2
Adjusted EBITDA	495.8	440.1
Adjusted EBITDA	495.8	440.1
Net sales	4,307.7	3,553.9
Adjusted EBITDA margin, %	11.5	12.4
Equity - closing balance	1,378.2	1,234.9
Balance sheet total	4,746.5	4,020.5
Equity/asset ratio, %	29.0	30.7
Cash and cash equivalents	445.3	463.9
Long-term interest-bearing liabilities	1,575.6	917.4
Long-term lease liabilities	208.4	174.6
Pension liabilities	153.1	90.9
Current interest bearing liabilities	5.0	8.1
Current lease liabilities	67.3	60.5
Net debt	1,564.1	787.6

30 Alternative performance measure, cont'd

SEKm	2019	2018
Net debt	1,564.1	787.6
Equity - closing balance	1,378.2	1,234.9
Net debt/equity ratio, %	113.5	63.8
Net debt	1,564.1	787.6
Equity - closing balance	1,378.2	1,234.9
Operating capital	2,942.3	2,022.5
Equity - opening balance	1,234.9	1,060.8
Equity - closing balance	1,378.2	1,234.9
Equity - average	1,306.6	1,147.9
Net profit/loss for the period	225.8	202.8
Return on equity, %	17.3	17.7
Equity - average	1,306.6	1,147.9
Net Debt - opening balance	787.6	791.3
Net Debt - closing balance	1,564.1	787.6
Net debt - average	1,175.9	789.5
Operating capital - average	2,482.5	1,937.4
Adjusted operating profit	349.1	318.9
Return on capital, %	14.1	16.5
Net sales	4,307.7	3,553.9
Operating capital - average	2,482.5	1,937.4
Capital turnover rate, multiple	1.7	1.8
Net debt	1,564.1	787.6
Adjusted EBITDA	495.8	440.1
Net debt/Adjusted EBITDA, multiple	3.2	1.8
Adjusted EBITDA	495.8	440.1
Net financial items	-35.9	-38.2
Adjusted EBITDA/net financial items, multiple	13.8	11.5
Profit before tax	307.3	267.5
Financial expenses	44.3	43.2
Acquisition costs	5.9	13.2
EBT excluding financial expenses and acquisition costs	357.5	323.9
Financial expenses	44.3	43.2
Interest cover ratio, multiple	8.1	7.5
Incoming orders, same period in previous year	3,479.5	3,157.3
Change in incoming orders, organic	102.3	-9.4
Change in incoming orders, currency effects	158.9	87.7
Change in incoming orders, acquisitions	427.7	243.9
Incoming orders	4,168.4	3,479.5
Order growth, %, organic	2.9	-0.3
Order growth, %, currency effect	4.6	2.8
Order growth, %, acquisitions	12.3	7.7
Order growth, %	19.8	10.2
Net sales, comparative period previous year	3,553.9	3,148.5
Change in net sales, organic	-39.5	-4.1
Change in net sales, currency effects	163.4	88.4
Change in net sales, acquisitions	629.9	321.1
Net sales	4,307.7	3,553.9
Sales growth, %, organic	-1.1	-0.1
Sales growth, %, currency effect	4.6	2.8
Sales growth, %, acquisitions	17.7	10.2
Sales growth, %	21.2	12.9

31 Occurrences following the balance sheet date

No significant events have occurred after the balance sheet date.

32 Important estimations and assessments

Certain assumptions about the future and certain estimations and assessments as of the close of the reporting period have special importance for the value of the assets and liabilities in the balance sheet. Presented below are the areas where the risk of changes in value during the subsequent year is significant because the assumptions or estimations may need to be changed.

SOLUTION SALES (PROJECT SALES)

Revenue recognition relating to sales of solutions (project sales) which is recognised over time is done by measuring the progress towards completion of the performance obligation. This is done on the basis of project costs incurred in relation to total costs for products and services that have been promised according to the agreement. Project costs incurred are determined either on the basis of the value of the goods or services that have been transferred to date or on the basis of measurements at the customer such as achieved milestones. The choice of method is consistent within individual projects. Revenue recognition from Solutions includes elements of assessments in the form of measuring the progress towards completion of the performance obligation, i.e. assessing the extent to which accrual of the projects has occurred. Sales from Solutions accounted for 48% of the Group's total sales in 2019.

INVENTORY ACCOUNTING

Inventory is posted at the lower figure between the acquisition value and the net realisable value. Valuation and assessment with regard to inventories are governed through internal regulations, which is obligatory to follow for all companies within the Group. The aim is to ensure that the Inventory is valued at the lower figure between the acquisition value and the net realisable value. When calculating the net sales value, assumptions are made concerning outgoing items, items with over-resistance, damaged goods and estimated sales value based on the available information. Inventory reserves as of 31 December 2019 amounted to SEK 123.0m (103.1), see note 17.

INCOME TAXES

When estimating deferred tax assets and tax liabilities an assessment is made concerning the probability of whether the deferred tax assets will be utilised for settlement against future taxable profit. The fair value of these future taxable profits may deviate in terms of the future business climate and earnings capability or due to changed tax rules, see note 12.

ACQUISITION

On December 9, Nederman acquired 100 percent of the shares in the Finnish group Gasmet Technologies Oy (Gasmet). The acquisition price amounted to SEK 508.9m and acquired net assets amounted to SEK 14.1m. Adjusted to fair value, identifiable net assets were estimated at the date of acquisition to SEK 108.2m, net after tax, and were related to Gasmet's customer contracts, brand and technology. Goodwill amounted to SEK 386.6m and was mainly related to the strong market position of Gasmet, especially with a leading global position in the FTIR analysis market, and to a highly skilled and knowledgeable workforce, new customers and to synergies with the Nederman Group. Identifying acquired assets and the adjustment to fair value of these assets required several assessments and estimates concerning future conditions such as cash flow, growth, discount rate as well as estimates of parameters and method for valuation. When accounting for the acquisition, the management made their best estimates regarding assumptions which were the base for allocation of the acquisition price, taking materiality into account, and deemed these assumptions of future conditions reasonable. See also note 4.

EXAMINATION FOR IMPAIRMENT OF GOODWILL

The book value of goodwill is reviewed at least once a year with respect to the possible need for impairment. The review requires an assessment of the value in use of the cash-generating unit, or group of cash-generating units, to which the goodwill value relates. This requires that several assumptions about the future situation and estimates of parameters have been made. A report of these are found in note 13. As described in note 13 a change during 2019 in the conditions for these assumptions and estimations might have an effect on the value of the goodwill. The senior executives are of the opinion that no reasonable changes in important assumptions at the impairment test of the cash-generating units will result in a recoverable value lower than the carrying amount.

33 Information about the parent company

Nederman Holding AB (publ) is a Swedish registered limited company with its registered office in Helsingborg, Sweden. The parent company's shares are registered on the Nasdaq Stockholm Mid Cap list.

The address of the main office is

P.O. Box 602, SE-251 06 Helsingborg, Sweden.
Visiting address is Sydhamngatan 2.

The consolidated reporting for 2019 comprises the parent company and its subsidiaries, collectively referred to as the Group.

Income statement for the Parent company

SEKm	Note	1 January - 31 December	
		2019	2018
Net sales	1, 17	26.9	24.1
Administrative expenses	3, 4, 12, 15	-117.4	-105.9
Research and development expenses		-	-1.1
Other operating revenue and expenses	2	0.3	0.6
Operating profit		-90.2	-82.3
Earnings from participations in Group companies	5, 17	72.6	63.5
Interest income and similar items	5, 17	7.2	13.0
Interest expenses and similar items	5, 17	-23.3	-20.5
Profit after financial items		-33.7	-26.3
Group contribution	6, 17	144.0	143.6
Profit before tax		110.3	117.3
Taxes	7	-13.9	-13.0
Net profit for the year		96.4	104.3

Statement of comprehensive income for the Parent company

SEKm	Note	1 January - 31 December	
		2019	2018
Net profit for the year		96.4	104.3
Other comprehensive income		-	-
Items that cannot be reclassified to the income statement		-	-
Items that have been or can be reclassified to net profit		-	-
Other comprehensive income for the year, net after tax		-	-
Total comprehensive income for the year		96.4	104.3

Balance sheet for the Parent company

SEKm	Note	2019	31 December 2018
Assets			
Intangible fixed assets	8	95.8	75.9
Tangible fixed assets	9	3.5	0.8
Financial fixed assets			
Participations in Group companies	20	2,027.3	1,526.5
Other long-term receivables		0.3	0.3
Total financial fixed assets		2,027.6	1,526.8
Total fixed assets		2,126.9	1,603.5
Current assets			
Receivables from Group companies	17	375.2	319.0
Other receivables	10	9.0	7.0
Prepaid expenses and accrued income	11	13.5	6.2
Cash and cash equivalents	18	0.4	0.3
Total current assets		398.1	332.5
Total assets		2,525.0	1,936.0
Equity			
Restricted equity			
Share capital		1.2	1.2
Reserves		292.5	292.5
Fund for development expenditures		27.1	16.5
Total restricted equity		320.8	310.2
Unrestricted equity	19		
Share premium reserve		5.9	5.9
Retained earnings		494.8	481.5
Net profit for the year		96.4	104.3
Total unrestricted equity		597.1	591.7
Total equity		917.9	901.9
Untaxed reserves	6	-	1.4
Liabilities			
Liabilities to Group companies	17	1,170.9	474.8
Other long-term liabilities	13	-	207.6
Total long-term liabilities		1,170.9	682.4
Accounts payable		19.1	19.5
Tax liabilities	7	8.6	9.7
Liabilities to Group companies	17	339.1	305.8
Other liabilities	13	56.1	1.5
Accrued expenses and prepaid income	14	13.3	13.8
Total current liabilities		436.2	350.3
Total equity and liabilities		2,525.0	1,936.0

For information on the parent company's pledged assets and contingent liabilities, see note 16.

Statement of changes in equity for the Parent company

	Restricted equity			Unrestricted equity		Total equity
			Fund for development expenses	Share premium reserve	Retained earnings, incl. net profit for the year	
	Share capital	Reserves				
Opening equity 2018-01-01	1.2	292.5	13.0	5.9	556.2	868.8
Net profit for the year	-	-	-	-	104.3	104.3
Transfer to development fund	-	-	3.5	-	-3.5	-
Other comprehensive income						
Total other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income	-	-	3.5	-	100.8	104.3
Transactions with Group's owners						
Dividend	-	-	-	-	-70.2	-70.2
Share-based remuneration	-	-	-	-	-1.0	-1.0
Closing equity 2018-12-31	1.2	292.5	16.5	5.9	585.8	901.9
Opening equity 2019-01-01	1.2	292.5	16.5	5.9	585.8	901.9
Net profit for the year	-	-	-	-	96.4	96.4
Transfer to development fund	-	-	10.6	-	-10.6	-
Other comprehensive income						
Total other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income	-	-	10.6	-	85.8	96.4
Transactions with Group's owners						
Dividend	-	-	-	-	-80.7	-80.7
Share-based remuneration	-	-	-	-	0.3	0.3
Closing equity 2019-12-31	1.2	292.5	27.1	5.9	591.2	917.9

Cash flow statement for the Parent company

SEKm	Note	1 January - 31 December 2019	2018
Operating activities			
Operating profit/loss		-90.2	-82.3
Adjustment for items not included in cash flow	18	34.3	22.1
Dividends received	17	84.6	63.5
Interest received and other financial items		0.5	12.7
Interest paid and other financial items		-10.9	-16.2
Income tax paid		-15.4	-
Cash flow from operating activities before changes in working capital		2.9	-0.2
Cash flow from changes in working capital			
Increase (-)/Decrease(+) of operating receivables		133.3	151.3
Increase (+)/Decrease (-) of operating liabilities		-3.3	2.9
		130.0	154.2
Cash flow from operating activities		132.9	154.0
Investment activities			
Capital expenditure for tangible fixed assets		-3.4	-0.7
Capital expenditure for intangible fixed assets		-47.5	-37.3
Acquisition, subsidiaries		-667.9	-163.3
Write-down of participations in Group companies		-12.0	-
Cash flow from investment activities		-730.8	-201.3
Financial activities			
New loans		796.1	296.3
Amortisation of loans		-100.0	-798.9
Change in interest-bearing receivables/liabilities		-17.7	494.3
Share-based remuneration		0.3	-1.0
Dividend paid		-80.7	-70.2
Cash flow from financing activities		598.0	-79.5
Cash flow for the year		0.1	-126.8
Cash and cash equivalents at the beginning of the year		0.3	127.1
Cash and cash equivalents at the end of the year	18	0.4	0.3

1 Net sales

SEKm	2019	2018
Management charges, debited to subsidiaries	26.9	24.1
Total	26.9	24.1

2 Other operating income and expenses

SEKm	2019	2018
Exchange gains and losses on operating receivables/liabilities	0.3	0.6
Total	0.3	0.6

3 Employees and staff expenses

Average number of employees	2019			2018		
	Women	Men	Total	Women	Men	Total
Sweden	11	16	27	9	12	21
Total	11	16	27	9	12	21

Distribution according to gender in senior management, percentage of women	2019	2018
Board of Directors, proportion of women	33%	33%
Other senior executives	20%	25%

Salaries, other remuneration and social security expenses, SEKm	2019	2018
Salaries and other remuneration	28.1	28.3
Social security expenses	16.2	16.6
(of which pension expenses) 1)	(5.6)	(5.8)

1) Of the company's pension costs SEK 1.4m (1.4) concerns the CEO for the parent company. There are no outstanding pension obligations to the Group's Board of Directors, CEO and senior executives.

Salaries and other remuneration allocated between the Board of Directors and other employees, SEKm	2019	2018
Board of Directors, CEO and senior executives	8.0	8.2
(of which variable compensation)	(1.4)	(1.9)
Other employees	20.1	20.1
Total	28.1	28.3

4 Fees and Expenses to Auditors

SEKm	2019	2018
EY		
Audit assignment	1.2	1.2
Other assignment	0.0	0.0
Total	1.2	1.2

Audit assignments refer to the statutory audit of annual and consolidated accounts, the administration of the Board of Directors and CEO, and auditing and other verifications as agreed. Other audit assignments include other duties incumbent on the company's auditors and advice or other assistance required by the findings in the audit or performance of other tasks.

5 Net financial items

SEKm	2019	2018
Earnings from participations in Group companies		
Dividend	84.6	63.5
Impairment of book value of shares in subsidiaries	-12.0	-
Total	72.6	63.5

Interest income and similar items		
Interest income, credit institutions	-	0.8
Other financial income, Group companies	0.5	11.8
Exchange rate changes	6.7	0.4
Total	7.2	13.0

Interest expenses and similar items		
Interest expenses, credit institutions	-1.1	-13.3
Other financial expenses, Group companies	-16.4	-3.3
Exchange rate changes	-5.8	-3.9
Total	-23.3	-20.5

6 Appropriations

SEKm	2019	2018
Group contribution	142.6	145.0
Temporary differences	1.4	-1.4
Total	144.0	143.6

7 Taxes

REPORTED IN INCOME STATEMENT

Current tax expense (-)/tax income (+), SEKm	2019	2018
Tax expense for the period	-12.9	-10.7
Adjustment of tax relating to previous years	-1.4	-0.2
Total	-14.3	-10.9

Deferred tax expense (-)/tax income (+)

Deferred tax concerning temporary differences	0.4	-2.1
Total reported tax expense	-13.9	-13.0

Reconciliation of effective tax, SEKm

	2019	2018
Profit before tax	110.3	117.3
Tax according to the applicable tax rate	-23.6	-25.8
Non-tax deductible expenses	-7.0	-0.4
Non-taxable income	18.1	13.9
Tax relating to previous years	-1.4	-0.7
Reported effective tax	-13.9	-13.0

POSTED IN STATEMENT OF FINANCIAL POSITION

Deferred tax assets, SEKm	2019	2018
Deferred tax assets relate to the following:		
Intangible assets	0.3	-
Tax assets according to statement of financial position	0.3	-

8 Intangible fixed assets

	2019		
SEKm	Capitalised development expenditures	Computer programs	Total
Accumulated cost			
Opening balance	29.5	109.5	139.0
Internally developed assets	14.6	-	14.6
Capital expenditure	-	32.9	32.9
Closing balance	44.1	142.4	186.5
Accumulated amortisation and impairment			
Opening balance	-8.7	-54.4	-63.1
Amortisation	-5.6	-22.0	-27.6
Closing balance	-14.3	-76.4	-90.7
Carrying amount			
Opening balance	20.8	55.1	75.9
Closing balance	29.8	66.0	95.8

	2018		
SEKm	Capitalised development expenditures	Computer programs	Total
Accumulated cost			
Opening balance	23.8	78.0	101.8
Internally developed assets	5.7	-	5.7
Capital expenditure	-	31.5	31.5
Closing balance	29.5	109.5	139.0
Accumulated amortisation and impairment			
Opening balance	-4.8	-36.6	-41.4
Amortisation	-3.9	-17.8	-21.7
Closing balance	-8.7	-54.4	-63.1
Carrying amount			
Opening balance	19.0	41.4	60.4
Closing balance	20.8	55.1	75.9

Amortisation and impairments, SEK m

	2019	2018
Amortisation is included in the following lines in the income statement:		
Cost of goods sold	-5.6	-4.0
Administrative expenses	-22.0	-17.7
Total	-27.6	-21.7

9 Tangible fixed assets

	2019		2018	
SEKm	Equipment, tools, fixtures	Total	Equipment, tools, fixtures	Total
Accumulated cost				
Opening balance	6.7	6.7	6.1	6.1
Capital expenditure	3.4	3.4	0.6	0.6
Closing balance	10.1	10.1	6.7	6.7
Accumulated depreciation and impairment				
Opening balance	-5.9	-5.9	-5.7	-5.7
Depreciation	-0.7	-0.7	-0.2	-0.2
Closing balance	-6.6	-6.6	-5.9	-5.9
Carrying amount				
Opening balance	0.8	0.8	0.4	0.4
Closing balance	3.5	3.5	0.8	0.8
Depreciation and impairments, SEKm				
			2019	2018
Depreciation is included in the following rows in the income statement:				
Administrative expenses			-0.7	-0.2
Total			-0.7	-0.2

10 Other receivables

Other receivables which are current assets, SEKm	2019	2018
VAT receivable	9.0	7.0
Total	9.0	7.0

11 Prepaid expenses and accrued income

SEKm	2019	2018
Computer/license costs	8.6	4.1
Insurance	1.7	0.4
Bank costs	-	1.0
Other	3.2	0.7
Total	13.5	6.2

12 Pensions

DEFINED-CONTRIBUTION PLANS

In Sweden the Group has defined-contribution pension plans paid in full by the companies. Payments into these plans are continual in accordance with the rules for each plan.

SEKm	2019	2018
Costs for defined-contribution pension plans	5.6	5.8
Total	5.6	5.8

For more information about handling of pensions, see Group note 22.

13 Other liabilities

Other long-term liabilities, SEKm	2019	2018
Deferred payment of acquisition price (see more in Group note 4).	-	207.6
Total	-	207.6
Other short-term liabilities, SEKm	2019	2018
Deferred payment of acquisition price (see more in Group note 4).	54.6	-
Personnel-related liabilities	1.5	1.5
Total	56.1	1.5

14 Accrued expenses and prepaid income

SEKm	2019	2018
Personnel-related expenses	11.7	11.2
Audit expenses	0.7	0.4
Other	0.9	2.2
Total	13.3	13.8

15 Lease agreements

Leasing fees where the company is the lessee, SEKm	2019	2018
Future leasing fees for non-cancellable leasing contract amount to:		
Within one year	0.5	0.6
Between one and five years	0.2	0.5
Total	0.7	1.1
Lease expenses, SEKm	2019	2018
Lease expenses	0.7	0.7
Total	0.7	0.7

16 Pledged assets and contingent liabilities

Pledged assets, SEKm	2019	2018
In the form of pledged assets for own liabilities and provisions:		
Shares in subsidiaries	None	None
	None	None
Contingent liabilities, SEKm	2019	2018
FPG/PRI	0.7	0.8
Guarantees on behalf of subsidiaries	411.5	435.4
Total	412.2	436.2

17 Related parties

The parent company has a closely related relationship with its subsidiaries, see note 20.

No member of the Board of Directors or senior executives have or have had any direct or indirect participation in any business transaction with Group companies which is or was of an exceptional character with regard to terms and conditions that occurred during the year or in any previous year. Nor has any Group company provided any loan, given any guarantees or entered into any surety relationships for any of the members of the Board of Directors or senior executives. For intercompany transactions see, accounting principles note 1. Loans to subsidiaries are made on market terms.

Related party transactions, subsidiaries, SEKm	2019	2018
Net sales - Management charges	26.9	24.1
Dividends received	84.6	63.5
Group contribution received	142.6	145.0
Financial income	0.5	11.8
Financial expenses	-16.4	-3.3
Receivables, 31 December	375.2	319.0
Liabilities, 31 December	1,510.0	780.6

Transactions with key persons in leading positions

Regarding the salaries and other remuneration, costs and commitments for pensions and similar benefits, and severance payment agreements, for Board members, the CEO and other senior executives, see Group note 22.

18 Statement of cash flow

Liquid funds, SEKm	2019	2018
Subcomponents in cash and cash equivalents:		
Cash and cash equivalents	0.4	0.3
Total	0.4	0.3

Adjustments for items not included in cash flow, SEKm	2019	2018
Depreciation	28.3	22.0
Unrealised translation differences	-6.0	0.1
Impairment of shares in subsidiaries	12.0	-
Total	34.3	22.1

Unused credits, SEKm	2019	2018
Disposable funds	0.4	0.3

	Amount at beginning of the year	Cash flow	Exchange rate gains/losses	Amount at year end
2019, SEKm				
Long-term interest-bearing liabilities Group companies	474.8	696.8	-0.7	1,170.9
Short-term interest-bearing assets (-) & liabilities (+) Group companies	-10.5	-16.9	-0.8	-28.2
Total		679.9		

19 Appropriation of profit or loss

The following is at the disposal of the Annual General Meeting of Nederman Holding AB (publ):

SEK	2019	2018
Share premium reserve	5,866,700	5,866,700
Retained earnings	494,865,542	481,579,660
Net profit for the year	96,372,679	104,346,889
Total	597,104,921	591,793,249

The Board of Directors propose

a dividend to shareholders of SEK 2.50 (2.30) per share*	87,732,740	80,704,132
to be transferred to the share premium reserve	5,866,700	5,866,700
to be transferred to retained earnings	503,505,481	505,222,417
Total	597,104,921	591,793,249

*Based on number of shares outstanding as of December 31. The dividend amount may be subject to change as treasury shares may be sold up to the record day of April 21, 2020.

20 Group Companies

Parent company's shareholdings and participations in subsidiaries

Subsidiary	Corp. ID. no.	Domicile / Country	Number of shares	Owner Share, %	2019 Carrying amount SEKm	2018 Carrying amount SEKm
AB Ph. Nederman & Co	556089-2951	Helsingborg, Sweden	550,000	100	236.6	236.6
Nederman S.A.S.	434134615.0	Paris, France	-	.*	-	-
Nederman Distribution Sales AB	556272-9854	Helsingborg, Sweden	-	.*	-	-
Nederman Ibérica S.A.	A79441762	Madrid, Spain	-	.*	-	-
Nederman Logistics North America Ltd	426065-1	Mississauga, Canada	-	.*	-	-
Töredal Verkstad AB	556199-7601	Kvånum, Sweden	-	.*	-	-
Nederman (Shanghai) Co Ltd	9131000067113929XX	Shanghai, China	-	.*	-	-
Nederman International Trading Shanghai Co. Ltd	91310115688759399Y	Shanghai, China	-	.*	-	-
Nederman Magyarorszag Kft	01-09-874950	Budapest, Hungary	-	100	0.2	0.2
Nederman Nordic AB	556426-7358	Helsingborg, Sweden	2,000	100	110.6	110.6
Nederman Norge, Filial til Nederman Nordic	914149762.0	Skedsmo, Norway	-	.*	-	-
Nederman Danmark, Filial af Nederman Nordic AB	36414642.0	Mariager, Denmark	-	.*	-	-
Nederman N.V./S.A.	428727.0	Brussels, Belgium	4,000	100	30.4	30.4
Nederman GmbH	HRB225315	Stuttgart, Germany	-	100	19.2	19.2
Nederman GmbH (Austria)	FN2315530k	Vienna, Austria	-	.*	-	-
Nederman Ltd	1393492.0	Preston, UK	10,000	100	49.3	49.3
Nederman Filtration Ltd	562216.0	Preston, UK	-	.*	-	-
Nederman CR s.r.o.	25634364.0	Prague, Czech Republic	1	100	0.0	0.0
Nederman Holding USA Inc	80-0699546	Wilmington, DE USA	-	100	106.5	106.5
Nederman Manufacturing & Logistics LLC	90-0676051	Wilmington, DE USA	-	.*	-	-
Nordfab LLC	56-1230979	Wilmington, DE USA	-	.*	-	-
Nederman Shared Services LLC	46-4172135	Wilmington, DE USA	-	.*	-	-
Nederman MikroPul Holding Inc	04-3833071	Wilmington, DE USA	-	.*	-	-
Nederman Corporation	56-0488262	Wilmington, DE USA	-	.*	-	-
National Conveyors Company Inc.	22-1547550	New York, NY USA	-	.*	-	-
LCI Corporation International	56-0732889	Charlotte, NC USA	-	.*	-	-
Menardi LLC	56-2173466	Wilmington, DE USA	-	.*	-	-
Nederman Mikropul Canada Inc.	56-2172876	Wilmington, DE USA	-	.*	-	-
Nederman S. de R.L. de C.V.	MIK0001128K6	Col Juarez, Mexico	-	.*	-	-
Nederman Services S. de R.L. de C.V.	MIK0001128K6	Col Juarez, Mexico	-	.*	-	-
Nederman Mikropul LLC	46-4352369	Wilmington, DE USA	-	.*	-	-
Auburn FilterSense LLC	6543811.0	Wilmington, DE USA	-	.*	-	-
Nederman Canada Ltd	105836613.0	Mississauga, Canada	1	100	32.1	32.1
Nederman do Brasil Comércio de Produtos de Exaustao Ltda	05.880.850/0001-45	Sao Paulo, Brazil	3,365	100	6.1	6.1
Arboga-Darenth Ltd	1048823.0	Preston, UK	10	100	0.0	0.0
Nederman India Private Limited	U74900PN2008FTC144278	Pune, India	100,000	100	10.6	10.6
Nederman Makine Sanayi Ve Ticaret Limited Sirketi	647743.0	Istanbul, Turkey	-	53	7.6	7.6
Nederman Holding Danmark A/S	28301650.0	Mariager, Denmark	60,500	100	231.3	231.3
Nederman Filtration GmbH	HRB391382	Freiburg, Germany	-	.*	-	-
Nederman Holding Germany GmbH	HRB701805	Freiburg, Germany	-	.*	-	-
Nederman MikroPul GmbH	HRB 33261	Cologne, Germany	-	.*	-	-
Nederman OOO	1082468018511.0	Moscow, Russia	-	.*	-	-
Nederman Manufacturing Poland Sp. z o.o.	503070	Marki, Poland	-	.*	-	-
Nederman Polska Sp. z o.o.	109291.0	Marki, Poland	-	.*	-	-
Nederman SEA Co Ltd	-	Chonburi, Thailand	-	.*	-	-
Nederman (Malaysia) Sdn Bhd.	892768T	Selangor, Malaysia	-	.*	-	-
PT Nederman Indonesia	-	Jakarta, Indonesia	-	10*	0.2	0.2
Nederman Filtration AB	556609-6177	Malmö, Sweden	-	.*	-	-
Nederman Manufacturing (Suzhou) Co Ltd	9132050578206245 93	Suzhou, China	-	.*	-	-
Nordfab Europe AS	17011405.0	Mariager, Denmark	-	.*	-	-
Lebon & Gimbrair Beheer N.V.	31033906.0	Amersfoort, the Netherlands	-	100	26.7	26.7
Nederman Nederland BV	58655360.0	Amersfoort, the Netherlands	-	.*	-	-
Mikropul Holding BV	17119906.0	Amersfoort, the Netherlands	-	100	-	11.9
EFT France Holding	429043276.0	Pontcharra, France	-	.*	-	-
MikroPul France SAS	303573307.0	Pontcharra, France	-	.*	-	-
Nordfab Ducting Co Ltd	-	Chonburi, Thailand	-	51	0.2	0.2
Nederman MikroPul Pty Ltd	-	Bayswater, Victoria, Australia	-	100	14.4	14.4
Filtac AB	556652-2750	Kinna, Sweden	-	100	12.2	12.2
Menardi Filters Europe A/S	38209205.0	Mariager, Denmark	-	100	0.7	0.7
Nederman MikroPul Poland Sp. z o.o.	617869.0	Marki, Poland	-	.*	-	-
NEO Monitors AS	986076832.0	Skedsmo, Norway	147,076	100	415.9	415.9
Nederman Finance AB	559160-6081	Helsingborg, Sweden	1,000	100	0.5	0.5
Luwa Air Engineering AG	CHE-112.154.099	Zurich, Switzerland	950,000	100	203.2	203.2
Luwa India Private Limited	U01711KA1993FTC014292	Bangalore, India	-	.*	-	-
Luwa America, Inc	C201412600738	Greensboro, NC USA	-	.*	-	-
Luwa Havalandirma Teknikleri Sanayi ve Ticaret Limited Sirketi	826319.0	Istanbul, Turkey	-	.*	-	-
Luwa Air Engineering (Shanghai) Co., Ltd.	913100006073822526	Shanghai, China	-	.*	-	-
Luwa Air Engineering (Pte.) Ltd.	197400205K	Singapore, Singapore	-	.*	-	-
Nederman Insight AB	559175-9468	Helsingborg, Sweden	1,000	100	0.1	0.1
Gasmet Technologies Oy	2681803-8	Helsinki, Finland	31,403	100	512.8	-
Gasmet Technologies GmbH	HRB 105091	Karlsruhe, Germany	-	.*	-	-
Gasmet Technologies (Asia) Ltd	950990	Hong Kong	-	.*	-	-
Gasmet Technologies Inc.	707771-8	Toronto, Canada	-	.*	-	-
Gasmet Technologies (UK) Ltd	2301809	Naseby, UK	-	.*	-	-
MonitoringSystems GmbH	FN 211207 z	Mauerbach, Austria	-	.*	-	-
Total					2,027.3	1,526.5

*) 100% owned by the Group

20 Group companies, cont'd

Accumulated cost, SEK m	2019	2018
Opening balance	1,526.5	1,311.8
Acquisition of Group companies	512.8	203.7
Formation of subsidiary	-	0.6
Capital contribution	-	10.4
Impairment of book value	-12.0	-
Closing balance at December 31	2,027.3	1,526.5

21 Occurrences following the balance sheet date

No significant events have occurred after the balance sheet date.

Signatures

The consolidated accounts and the annual report have been prepared in accordance with international accounting standards as prescribed in Regulation (EC) no. 1606/2002 of the European Parliament and of the Council dated 19 July 2002 concerning the application of international accounting standards and good accounting practice in Sweden, and give a fair picture of the Group's and parent company's position and results.

The Directors' Report for the Group and parent company provides a fair overview of the Group's and parent company's activities, position and results and describe the main risks and uncertainties facing the parent company and Group companies. The annual report and consolidated accounts will be subject to adoption by the Annual General Meeting on 27 April 2020.

Helsingborg, 11 March 2020

Johan Hjertonsson

Chairman

Gunilla Fransson

Board member

Sven Kristensson

Board member and CEO

Johan Menckel

Board member

Ylva op den Velde Hammargren

Board member

Sam Strömerstén

Board member

Our audit report was issued on 13 March 2020

Ernst & Young AB

Staffan Landén

Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Nederman Holding AB (publ),
corporate identity number 556576-4205

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Nederman Holding AB (publ) except for the corporate governance statement on pages 80-83, 86-87 and the statutory sustainability report on pages 44-59 for the financial year 2019. The annual accounts and consolidated accounts of the company are included on pages 44-139 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 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 80-83, 86-87 and the statutory sustainability report on pages 44-59. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of Goodwill

Description

The carrying value of goodwill at 31 December 2019 was SEK 1,612.2 million which corresponds to 34 % of the company's total assets in the group. The company conducts an annual review and in the event of an indication of impairment, to assure that the carrying value does not exceed the estimated recoverable value. The recoverable amount is determined for each cash generating unit by calculating the present value of future cash flows. Future cash flows are based on management's business plans and forecasts, and include a number of assumptions, including on earnings performance, growth, investment requirements and the discount rate.

Changes in assumptions have a great impact on the calculation of the recoverable value and the assumptions that the company makes will be of great importance when determining if there is a need for impairment. We have therefore considered that the valuation of goodwill is a key audit matter in the audit.

A description of the impairment test is presented in Note 13 "Intangible assets" and in Note 32 "Significant estimates and judgements".

How our audit addressed this key audit matter

In our audit, we have evaluated and tested the company's process to establish the impairment test, including by evaluating past accuracy of forecasts and assumptions. We also made comparisons with other companies in order to evaluate the reasonableness of future cash flows and growth assumptions, and with the help from our valuation specialists examined the selected discount rate and assumptions about long term growth. We have also reviewed the company's model and method for carrying out impairment testing and evaluated the company's sensitivity analyses. We have also reviewed the disclosures in the financial statements.

Revenue relating to Solutions (project sales)

Description

Net sales for 2019 amounts to total SEK 4,307.7 million and of this SEK 2,051.6 million relates to solutions (project sales), representing 48 % of total net sales. The accounting policies that the company applies for revenue recognition attributable to solutions is described on page 99 of the annual report, in Note 2 "Sales" and in Note 32 "Important estimations and assessments". The revenue of solutions is accounted for over time by measuring the current fulfillment of the performance obligation and comparing it to the complete fulfillment of the performance obligation. This is done by putting the accrued expenses in relation to the total projected expenses of goods or services that have been agreed upon. Revenue recognition of solutions requires estimates in measuring the current fulfillment of the performance obligation and comparing it to the complete fulfillment of the performance obligation. Changes in these estimations can have a material impact on the result of the company, and we have therefore considered revenue recognition related to solutions to be a key audit matter in the audit.

Hur detta område beaktades i revisionen

We have reviewed the company's process for revenue recognition of the segment solutions and assessed the company's estimation of the grade of fulfillment of the performance obligation. We have by testing samples reviewed the company's assessments of expected profit or loss of the project by comparisons with agreements, historical results and budget. The assessments made by the company regarding the risk of loss have also been reviewed. We have also reviewed the disclosures in the financial statements.

Acquisition of Gasmet Technologies Oy

Description

The Group has during 2019 acquired Gasmet Technologies Oy, where the acquisition price for all shares has been calculated to SEK 508.9 million, of which goodwill is SEK 386.6 million. The company's disclosures about acquisitions are stated in Note 4 "Acquisition of business operations" and Note 1 "Accounting policies" section "Consolidation Principles".

Accounting for the acquisition of Gasmet Technologies Oy has required estimates from the company. The most significant estimate refers to the assessment of fair values of separately identifiable assets when allocating the purchase price. When preparing the preliminary purchase price analysis, the company has made several assumptions including future cash flows, growth, discount rate and choice of model for valuation. We have therefore assessed the reporting of this acquisition to be a key audit matter in the audit.

How our audit addressed this key audit matter

In our audit, we evaluated and tested the company's process for preparing the preliminary purchase price analysis, including evaluating the reasonableness of future cash flows and growth assumptions. We have also evaluated the assessment of assessed values performed by external advisors. Together with our valuation specialists, we examined the company's models and methods for preparing the purchase price analysis and the reasonableness of the choice of valuation model, assumptions including discount rate and future cash flows to determine the fair values of acquired assets and liabilities and useful lives for the assets. We have also reviewed the disclosures in the financial statements.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-43 and 145-147. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

counts 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 intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures respon-

sive 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 Nederman Holding AB (publ) for the financial 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 (loss be dealt with) 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 skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned

statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 80-83 and 86-87 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.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 44-59, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report 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 opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Box 7850 103 99 Stockholm, was appointed auditor of Nederman Holding AB by the general meeting of the shareholders on the 29 April 2019 and has been the company's auditor since the 22 April 2015.

Helsingborg 13 March, 2020
Ernst & Young AB

Staffan Landén
Authorized Public Accountant

Definitions

Adjusted EBITA

Operating profit before amortisation and impairment of intangible assets, excluding acquisition and restructuring costs.

Adjusted EBITA margin

Adjusted EBITA as a percentage of sales.

Adjusted EBITDA

Operating profit before depreciation, amortisation and impairment, excluding acquisition and restructuring costs.

Adjusted EBITDA margin

Adjusted EBITDA as percentage of sales.

Adjusted operating profit

Operating profit excluding acquisition and restructuring costs.

Adjusted operating margin

Adjusted operating profit as a percentage of net sales.

Annual average

Average of balance at the beginning and end of the year.

Capital turnover rate

Net sales divided by average operating capital.

Currency-neutral growth

Currency-neutral growth is the growth rate that does not come from currency effects, compared with the corresponding period in the preceding year.

Earnings per share (after dilution)

Net profit for the year attributable to parent company shareholders in relation to the average number of shares outstanding plus the average number of convertibles and warrants, as calculated in accordance with IAS 33.

Earnings per share (before dilution)

Net profit for the year attributable to parent company shareholders in relation to the average number of shares outstanding.

EBITA

Operating profit before amortisation and impairment of intangible assets.

EBITA margin

EBITA as a percentage of sales.

EBITDA

Operating profit before depreciation, amortisation and impairment.

EBITDA margin

EBITDA as a percentage of net sales.

Equity/assets ratio

Equity divided by total assets (balance sheet total).

Equity per share

Equity divided by the average number of shares outstanding.

Interest cover ratio

Profit before tax with a reversal of financial expenses in relation to financial expenses.

Net debt

Interest-bearing liabilities (including pensions) less cash and cash equivalents.

Net debt/equity ratio

Net debt divided by equity.

Operating capital

Equity plus net debt.

Operating margin

Operating profit as a percentage of net sales.

Operating profit

Operating profit after depreciation, amortisation and impairment.

Organic growth

Growth rate that does not come from acquisitions or currency effects, compared with the corresponding period in the preceding year.

Return on equity

Net profit for the year after tax divided by average equity.

Return on operating capital

Adjusted operating profit as a percentage of average operating capital.

Articles of Association

1 § Company name. The name of the Company is Nederman Holding Aktiebolag. The Company is a public company (publ).

2 § Registered office. The registered office of the Board of Directors is in Helsingborg municipality.

3 § Company's operations. The object of the Company's operations is to directly or through subsidiaries produce and market products to improve the industrial workplace environment and to own and manage enterprises as well as real estate and personal property, and to engage in compatible operations.

4 § Share capital. The Company's share capital shall not be lower than seven hundred and fifty thousand (SEK 750,000) and shall not exceed three million (SEK 3,000,000).

5 § Number of shares. The number of shares shall be no lower than ten million (10,000,000) and shall not exceed forty million (40,000,000).

6 § VPC-registered company. The Company's shares shall be registered in a CSD register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

7 § Financial year. The Company's financial year shall be the calendar year.

8 § Board of Directors. The Board of Directors shall consist of at least three (3) and not more than eight (8) members with a maximum of three (3) deputies. Board members will be elected annually at the Annual General Meeting for the period extending until the close of the next Annual General Meeting.

9 § Auditor. The firm shall have at least one (1) and no more than two (2) auditors, without or with no more than one (1) deputy auditor. An approved or authorized public accountant or a registered auditing firm shall be appointed auditor and, where appropriate, deputy auditor.

10 § Notice of Annual General Meeting. Notice of the Annual General Meeting and Extraordinary General Meetings where an issue concerning amendment of the Articles of Association shall be considered, must be issued no earlier than six weeks and no later than four weeks before the date of the meeting. Notice of other Extraordinary General Meetings shall be issued not earlier than six weeks and not later than two weeks prior to the meeting. Notice of Annual General Meeting shall be given in the Swedish Official Gazette (Post- och Inrikes Tidningar) as well as on the company's website. It shall be advertised in Svenska Dagbladet or, if publication is cancelled,

in Dagens Industri instead, that notice of the meeting has been given.

11 § Right to participate in Annual General Meeting. Shareholders who wish to participate in proceedings at the Annual General Meeting must be included in the transcript of the entire share register pertaining to the situation no later than five (5) weekdays before the annual general meeting, and they must register with the Company no later than 4 p.m. of the day specified in the notice of the annual general meeting. This day may not be a Sunday, other general holiday, Saturday, Midsummer Eve, Christmas Eve, or New Year's Eve, nor may it fall earlier than the fifth weekday before the annual general meeting. Shareholders or representatives may be accompanied by a maximum of two assistants at a annual general meeting, but only if the shareholder has notified the Company of the number of assistants in accordance with the preceding paragraph.

12 § Location of Annual General Meeting. The Annual General Meeting may be held in Helsingborg or Stockholm.

13 § Annual General Meeting. The Annual General Meeting shall address the following matters:

1. Election of the chairperson of the meeting;
2. Preparation and approval of the voting list;
3. Approval of the agenda;
4. Election of one or two persons to verify the minutes;
5. Determination of whether the meeting has been duly convened
6. Presentation of the annual report and the auditors' report and report on the consolidated accounts;
7. Resolution to adopt the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet;
8. Resolutions on appropriation of the Company's profit or loss according to the adopted balance sheet;
9. Resolution to discharge members of the Board of Directors and the Chief Executive Officer from liability;
10. Determination of the number of board members and deputies, as well as, where appropriate, auditors and deputy auditors;
11. Establishment of remuneration to the Board of Directors and, where applicable, the auditors;
12. Election of members of the board and any deputy board members as well as, where appropriate, auditors and any deputy auditors, Other items brought before the general meeting or shareholders according to the Swedish Companies Act or the Articles of Association.

These articles of association were adopted by the Annual General Meeting on 26 April 2011.

Notice to attend the Annual General Meeting

The Annual General Meeting of Nederman Holding AB (publ) will take place on Monday, 27 April 2020 at the Hotel Marina Plaza, Kungstorget 6, 251 10 Helsingborg.

Schedule:

4:00 p.m. Registration starts

4:30 p.m. Meeting room opens

5:00 p.m. Meeting starts

Coffee and refreshments will be served before the Meeting.

Right to participate in the Meeting

Shareholders wishing to participate in the Annual General Meeting must be recorded in the shareholders' register maintained by Euroclear Sweden by Tuesday, 21 April 2020 and must notify the Company of their intention to participate in the Meeting no later than Tuesday, 21 April 2020. Shareholders whose shares are registered in the name of a trustee must have their shares temporarily registered in their own name in the shareholders' register maintained by Euroclear Sweden in order to participate in the Meeting. This registration, known as voting right registration, must take place by 21 April 2020, meaning that the shareholder should notify the trustee of his or her intention to participate in the Meeting in due time before that date.

Notification

can be carried out in one of the following ways:

- by e-mail: stamma@nedermangroup.com
- by telephone: +46 (0)42 18 87 00
- by post: Nederman Holding AB (publ), "Årsstämma" Box 602, 251 06 Helsingborg.

The notification should include the shareholder's name, personal identity number/corporate identity number, address, telephone number, registered shareholding and any advisers. The information is solely used for the requisite registration and for preparing the voting list. For shareholders represented by proxy, the original proxy form must be sent to the Company along with the notification to attend the Meeting. Individuals representing a legal entity must have a copy of the registration certificate or equivalent documentation indicating the authorised signatory. The Company will provide proxy forms for shareholders who so wish. The form is also available for download on Nederman's website, www.nedermangroup.com.

Dividends

The Board and CEO propose a dividend for the 2019 financial year of SEK 2.50 per share.

Interim reports

Q1 report: 21 April 2020

Q2 report: 14 July 2020

Q3 report: 23 October 2020

Nederman

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