Annual Report 2019

The year in brief
STABLE MARGIN AND SHARPLY REDUCED NET DEBT

Message from the CEO
2019 GAVE CONFIDENCE FOR CONTINUED VALUE CREATION

Net sales
6 631 SEKm

Earnings
646 SEKm

ESG and Sustainability
TO GIVE MORE THAN WE TAKE

Contents

About the Annual Report

The Annual Report describes Inwido's operations and financial performance in 2019 and includes a corporate governance report. Sustainability issues are integrated into the operations and, accordingly, also into the Annual Report and corporate governance report.

Further guidance on sustainability issues can be found on pages 12-13 and 30-34 of this Annual Report, as well as on inwido.com.

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This is Inwido

Inwido acquires, owns and develops Europe's leading companies in windows and doors. Today, we are Europe's largest windows group and a natural home for the region's strongest business units. Alongside our business units, we are passionate about delivering products that make people's everyday lives at home and at work comfortable and safe.

OUR BUSINESS CONCEPT

Inwido manages and develops business units offering windows, doors, comfort, improved indoor climate and safety, as well as associated services and accessories for customers and consumers in Europe. Focusing on consumer needs, the business units offer attractively designed products with reduced environmental impact that enhance people's well-being.

OUR VISION

Improving indoor life.

Managing and developing the strongest business units that improve people's lives indoors with solutions for comfort, indoor climate and safety, inspires employees and generates value for shareholders.

OUR BUSINESS AREAS

North

Business Area North brings together the Group's operations in Sweden, Norway and Finland. The Nordic region is traditionally Inwido's stronghold, with a number of well-known brands, such as Elitfönster and Hajom in Sweden, Tiivi and Pihla in Finland, and Lyssand and Frekhaug in Norway.

South

Business area South brings together the Group's operations in Denmark, the UK, Ireland and Poland. This business area also includes e-Commerce. Well-known brands include KPK, Outline and SparVinduer in Denmark and CWG Choices in the UK.

THE INWIDO GROUP'S GUIDING PRINCIPLES

- We are passionate about improving indoor life for people
- We invest in local market leaders with the appropriate profitability and potential
- We apply drivers including digitalization and sustainability to improve our business units' competitiveness
- We work in a decentralized way, focusing on specific areas where synergies can be achieved

WHERE WE ARE

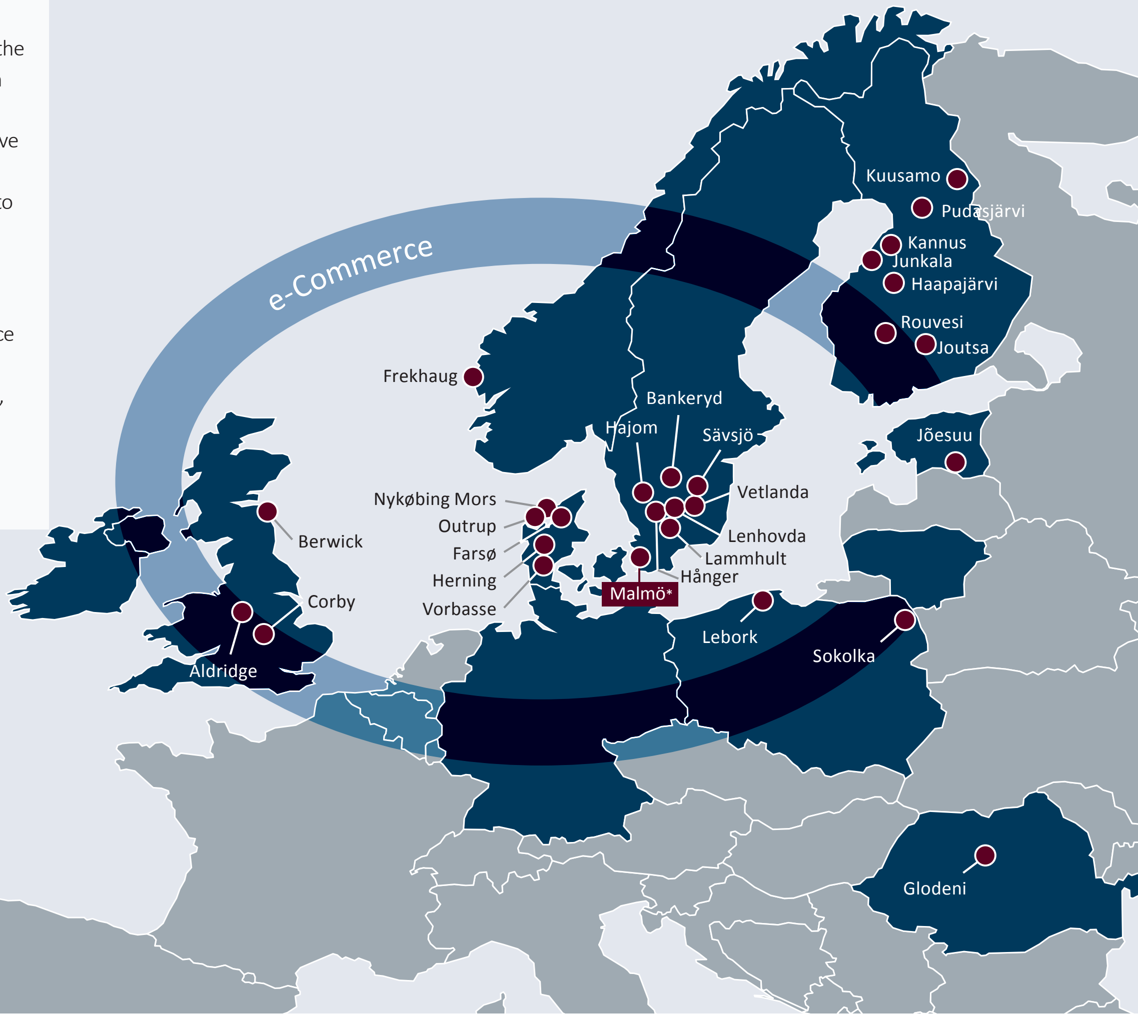
Inwido has operations in Denmark, Estonia, Finland, Ireland, Lithuania, Norway, Poland, Romania, the UK, Sweden and Germany.

Production sites

Inwido has production facilities in the locations named on the map. With our production facilities and distribution centres, we are able to derive synergies and reduce purchasing costs while maintaining proximity to our customers.

e-Commerce

Since 2014, the Group's e-commerce sales directly to consumers in Denmark, Finland, Norway, the UK, Sweden and Germany have been gathered within the e-Commerce business unit.



* Inwido AB Head office

An eventful year generating confidence for the future

The year 2019 largely played out according to plan given the market conditions. Inwido delivered strong cash flows and a sharply reduced level of debt. This was all in line with Inwido's undertakings to continuously strengthen the balance sheet to be able to conduct new, value-generating acquisitions at the right moment. Here are some of the year's highlights.

1. Following a challenging second half of 2018, 2019 helped lay a solid foundation for the future. Over 2019, Inwido delivered stable earnings, while strong cash flow brought net debt down to 2.2x EBITDA. Net sales fell by 1 percent to SEK 6,631 million (6,667). Despite the lower sales, the margin remained favourable, mainly thanks to early cost saving initiatives and a more advantageous mix overall, with a higher proportion of consumer sales.

2. Inwido's new governance model, Simplify, gained a strong foothold in the Group, contributing to value-generating decentralization, accountability and development in our 28 business units. Each company makes its own decisions based on its local conditions, retaining full responsibility for its business and earnings, as well as close and strong relations with customers. At the same time, Inwido's Group Management refined the processes and strategies with which they govern and develop the business units. This development, with improved earnings despite challenging markets, testifies to the strength of the Simplify governance model.

3. One of the benefits of being part of Inwido, in addition to purchasing power, strategy and knowledge sharing, is investment support. Over the year, a number of strategic investments were made in machinery and technology, with these investments being expected to contribute to continued efficiency and further growth. Elitfönster, for example, decided to make its largest individual investment to date, spending SEK 55 million on a new planing line for the Vetlanda factory.

4. In 2019, 9 percent of consolidated sales were generated by e-commerce, which grew by 9 percent. This is encouraging proof that initiatives in e-Commerce produce results. Today, experienced e-commerce consumers buy 170,000 windows and doors annually with fast delivery from one of Inwido's 12 e-commerce brands, including Spar-vinduer, Bonusfönster, JNA and Bedst & Billigst.

5. Business Area South continued to develop positively in 2019, with strong development among the business units in the area. Development among our larger Danish operations confirms that Inwido's leadership, combined with independent local business units, can gradually develop and refine the operations. The Group's brightest stars in South include business units KPK and Outline.

TOP 5 key events

1. Strong earnings and cash flows
2. Impact from governance model Simplify
3. Investments for growth
4. e-Commerce grows strongly
5. Strong earnings by South

Inwido in figures 2019

In 2019, net sales decreased by 1 percent, while organically sales decreased by 4 percent. Operating EBITA for the year amounted to SEK 646 million (657) and the operating EBITA margin was 9.7 percent (9.9).

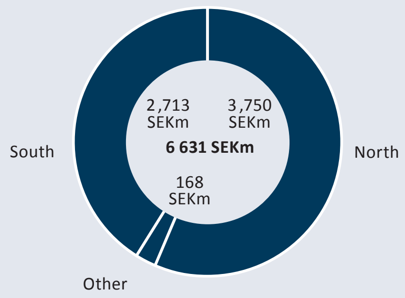
6,631
Net sales, SEKm

646
Operating EBITA, SEKm

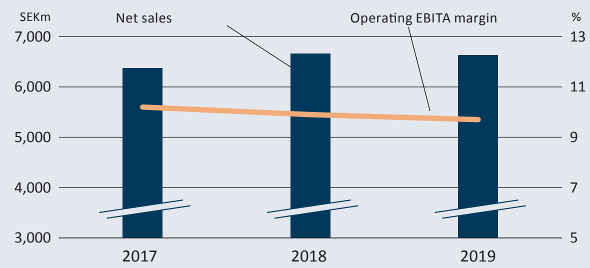
9.7%
Operating EBITA margin

2,2x EBITDA
Net debt

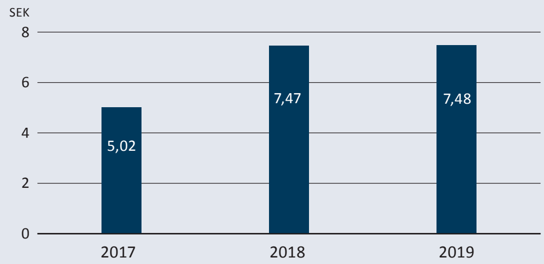
External net sales by business area



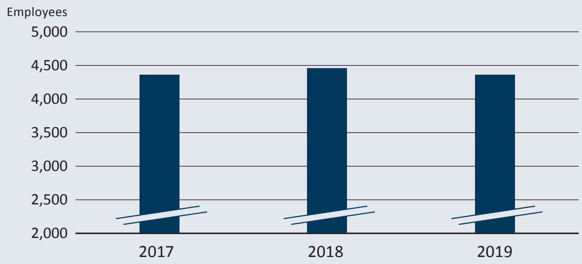
Net sales and operating EBITA margin



Earnings per share



Average number of employees



2019 laid the foundation for long term sustainable value creation

As we enter a new decade and I look back at 2019, I do so with pride. With 2019 being my first year as President and CEO of Inwido, I humbly acknowledge that the year largely progressed as we had planned given the conditions in our principal markets.

Alongside 4,400 employees, in Europe's leading window and door companies, Inwido delivered solid earnings, strong cash flows and a significantly reduced level of debt. This was entirely in line with our undertakings to continuously strengthen the balance sheet to be able to conduct new, value-generating acquisitions – as we have done successfully more than 50 times since the Group's inception. Through good cost control, continuous efforts to improve efficiency at our factories and very good progress with our working capital, we were able, despite relatively tough market conditions, to deliver an improved margin over the final three quarters of the year, while our strong cash flow reduced net debt to 2.2x EBITDA, excluding IFRS 16. The full year earnings strengthen our resolve as we plan for future investments, building a solid plaform for future value creation.

Development in two segments

In 2019, Business Area South continued to develop positively, with most of the business units growing. In addition to the favourable development of the Danish business units and improved deliveries by our UK business units, the Irish operations generated sharply improved earnings. Over the year, the e-Commerce operations, which makes sales to consumers in six countries from their base in Denmark, grew to account for 9 percent of consolidated sales with a higher margin than the average for the Group. The overall development in South demonstrates that Inwido's management, combined with independent local business units, gradually develops and improves the operations.

Over the year, demanding conditions, particularly in the Swedish and Finnish markets, continued to pervade Business Area North. The industry markets remained challenging, as did intensified competition in certain sales channels to some extent. Towards the end of the year, however, we could discern some degree of recovery in the industry markets in Sweden and Finland, although it is too early to draw any far-reaching conclusions. Given these circumstances, I have been impressed by the business units' capacity to quickly implement cost and efficiency preparing, while streamlining their operations and preparing themselves for growth when and where this is possible. In Norway, we were pleased to see development over the year, with profitability now having returned.

How we develop long-term values in our business units

Inwido's guiding principle is to acquire and develop Europe's leading business units in windows and doors. We do this in accordance with a well-established methodology to generate value for the business units, employees, society and our shareholders. Following the introduction of the Simplify governance model, our business units hold full responsibility for their operations and earnings, while the Group contributes coordination gains in purchasing, logistics, sustainability and technology, for example. This may involve active efforts to achieve cost synergies in purchasing, including value engineering (driven by good examples within the Group) to further improve the end product and/or reduce the cost base. The Group's size also helps us make important investments in people and facilities, such as Elitfönster's largest investment to date – a new planing line for SEK 55 million. We work according to a well-defined governance model and review, based on our version of a balanced scorecard that we know, from experience, builds value in our companies while also developing processes and forums for continuous learning between the companies. And, in particular, we maintain a genuine focus on developing leadership and skills in and between the Group's business units. As an example of Group-led development projects in the business units, we will launch an entirely new development model for Managing Directors during 2020.

Strategic initiatives for continued expansion

Based on organic growth in e-commerce and in growing segments in which we hold strong positions, as well as through acquisitions, the Inwido Group seeks to expand steadily over time. In 2019 targets, we refined our acquisition strategy, with targets units now being assessed based on eight clear criteria associated with the Group's overall operational objectives. We maintain an ongoing dialogue with a number of window and door companies in Europe, to be able to initiate and implement acquisitions at an appropriate time. This is all intended to generate shareholder value precisely by identifying and acquiring strong operations and further improving them.

Our long-term growth is also to be achieved organically, with one of our clearest focuses here being the e-Commerce business unit, which sells windows and doors to consumers directly online via e-commerce. With continuously increasing investments in strengthened positions in key markets, and breakthroughs in new ones, this is becoming a key component of our growth strategy. Other examples of growth-driven investments include continued investments in the digitalization of B2B commerce and in further strengthening the key segments in which we already hold strong positions.

Sustainability for the environment, people and communities

While driving growth and development in our business units, we also seek to assume an active

"With 2019 being my first year as President and CEO of Inwido, I humbly acknowledge that the year largely progressed as we had planned given the conditions in our principal markets."

responsibility for people, society and the environment. As a group, we have substantial opportunities to lead, inspire employees, business units and our suppliers alike, as well as to place demands on them. Today, issues of sustainability and ESG permeate all of our business units' strategic plans and we are driving development in these areas with both ambition and transparency. In fact, sustainability and respect for the environment are at the heart of the business model and are a central component in what we deliver to customers. Sustainable products that significantly help increase energy efficiency. We are also taking ambitious initiatives to create safe and pleasant working environments in which individuals can develop and become strong ambassadors for our companies, often in rural areas where our business units form the backbone of the community. A gratifying example of the results of this work was provided by the 2019 employee survey, in which the leadership and confidence indexes reached an all-time high throughout the Group. The fact that we take this seriously is evidenced by all Managing Directors of Group business units having variable salary components based on concrete sustainability goals. This is an initiative of which I am proud of and that I will continue to pursue.

Covid-19

The development with regards to the spread of Covid-19 is a major focus within Inwido and the company does its utmost to ensure the health of our employees, managing our impact on the communities in which we operate, especially in terms of limiting the spread of the virus, and limiting any negative effects. Which impact Covid-19 will have on our business is too early to predict.

Future prospects

During 2020, we will further increase our efforts to drive long-term growth, including continued investments in e-Commerce and to strengthen our business units' competitiveness and position in the market. All to further capture the market potential once the markets enter a more benign cycle. We will continue our hard work with good margin development and strong cash flow generation, in line with the Simplify model, to be able to reinvest in the development of our business units and, when the circumstances are right, to acquire new businesses into the Group.

We are naturally humbled by the challenges that the pace of change in the world pose, not least the emerging and very serious Covid-19 situation, the extent of which we cannot yet overlook.

Finally, I would like to thank my colleagues within Inwido Group for their great efforts in 2019. It is a pleasure to work with committed and dedicated people on a daily basis and I look forward to jointly develop Inwido and our Business Units in 2020.

Malmö March 31, 2020
Henrik Hjalmarsson
President and CEO

Our targets and performance

Inwido's overall objective is to generate favourable returns and long-term value development for shareholders by growing profitably. Four financial targets indicate the direction and set limits. Inwido also has a financial ambition to increase its operating EBITA by an average 10 percent annually.

INWIDO'S FINANCIAL TARGETS

Targets	Comments	Outcome 2019
GROWTH		
Inwido's objective is to exceed growth in our current markets through organic growth, as well as selective acquisitions and initiatives in Europe.	In 2019, net sales decreased by 1 percent, while organic growth was negative by 4 percent. Our assessment is that Inwido had organic growth in the Nordic region in line with the market as a whole.	-1%
PROFITABILITY		
Inwido's profitability target is an operating EBITA margin of 12 percent. Inwido may not achieve the profitability target during years when the market trend is weaker. In such cases, we will undertake measures to further enhance profitability, which we have been successful with in the past.	The operating EBITA margin for the year amounted to 9.7 percent (9.9). The somewhat lower margin is foremost an effect of decreased sales, primarily in Sweden and Finland, which was partly offset by improved efficiency and implemented cost savings.	9.7%
CAPITAL STRUCTURE		
Inwido's net debt in relation to operating EBITDA shall, excluding temporary deviations, not exceed a multiple of 2.5.	Net debt in relation to operating EBITDA decreased to a multiple of 2.2 (2.7), excluding IFRS 16. The decreased net debt in relation to operating EBITDA compared with the preceding year was mainly due to successful work with working capital.	2.2x
DIVIDEND		
Inwido aims to pay its shareholders an annual dividend that corresponds to approximately 50 percent of net profit. However, Inwido's financial status in relation to the target, cash flow and future prospects shall be taken into consideration.	The Board of Directors of Inwido AB withdraws the dividend proposal, due to the spread of the Coronavirus.The background is the considerable uncertainty that exists as a result of the effects of the spread of Covid-19. At present, it is impossible to assess how long-lasting or serious the situation and its effects will be, which is why it is important that the company's financial position is as strong as possible for potential future challenges and opportunities.	No dividend

The result of our sustainability work

We have established a number of indicators to evaluate how our sustainability work is progressing. Developing these indicators gives us a clear picture of the progress we are making and what we should prioritize in our continued sustainability work.

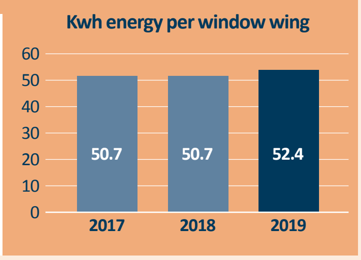
SUSTAINABILITY INDICATORS

Targets	Comments	Outcome 2019

ENERGY CONSUMPTION

Inwido targets reducing energy consumption from its own operations by five percent annually.

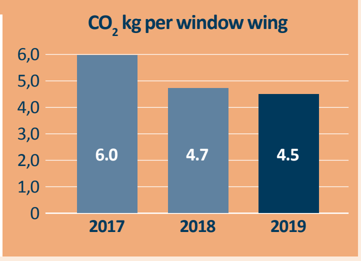
In comparable figures, energy consumption rose in 2019 compared with the preceding year. The overall increase in the Group is explained by Inwido having incorporated new production units into the year's sustainability reporting. Excluding the new units, consumption decreased by 1.7 percent compared with 2018. We work continously to find new solutions for further reducing our energy consumption.



CARBON DIOXIDE EMISSIONS

Inwido's objective is to reduce carbon dioxide emissions from its proprietary operations by 5 percent annually.

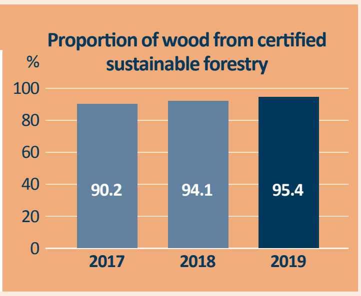
Carbon dioxide emissions decreased in 2019. This positive development was hampered somewhat by new units being incorporated into the sustainability reporting during the year. In comparable figures, emissions decreased by 8.9 percent in 2019. We are constantly working to find new solutions for further reducing our carbon dioxide consumption and to find renewable sources of energy.



WOOD FROM SUSTAINABLE FORESTRY

Inwido's objective is to use wood from certified suppliers who ensure traceability to legal and sustainable sources.

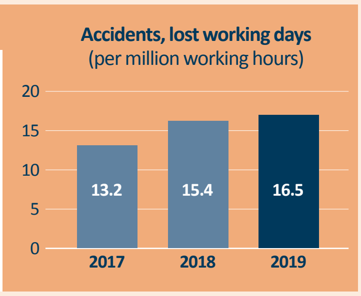
In 2019, Inwido increased the proportion of wood from sustainable forestry that it used in production. We are continuing our long-term efforts to ensure that our suppliers live up to our sustainability requirements.



ACCIDENTS WITH LOST WORKING DAYS

Inwido's objective is for zero accidents to occur in its operations.

The number of accidents resulting in lost working days increased during the year. The increase is partly explained by Inwido having incorporated new units into the sustainability reporting, and partly by a weaker trend in some comparable companies. We expect to reduce this figure through our LEAN programme, which continuously examines how we can eliminate accident risks and how we share experiences within the Group.

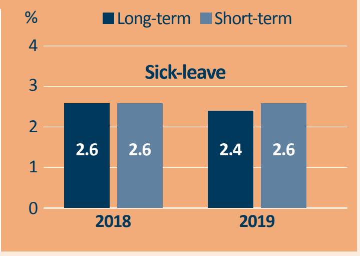


Targets	Comments	Outcome 2019

ABSENCE DUE TO SICKNESS, SHORT AND LONG-TERM

Inwido's objective is for total short-term sick-leave to be below 2 percent, and for total sick-leave (both short-term and long-term) to be below 3 percent.

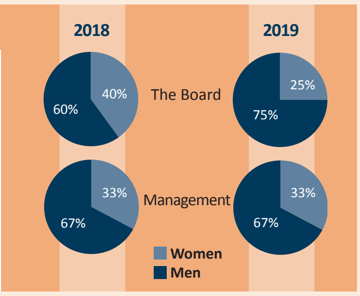
Over the year, Inwido was strongly focused on reducing sick-leave. The trend is moving in the right direction, for both short and long term sick-leave. We will be continuing to take actions to further reduce sick-leave. There are no comparable figures for 2017 because the classification of short and long-term sick-leave was changed in 2018. Total sick-leave has decreased from 5.2 percent in 2018 to 5.0 percent in 2019.



EQUALITY IN MANAGEMENT

Inwido's objective is to maintain an even gender distribution in management groups and on the Board of Directors.

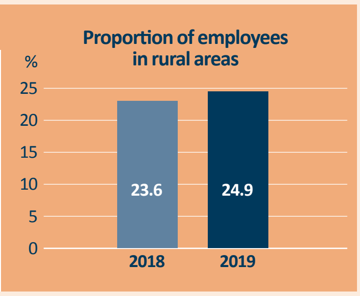
Inwido's long-term ambition is to achieve an even distribution between women and men on the Board of Directors and in management. In 2019, the proportion of women on the board temporarily decreased and, following the additional Board meeting convened in January 2020, the proportion of women is now 33 percent. Inwido's management team remained unchanged between 2018 and 2019.



RURAL EMPLOYMENT

Inwido seeks to nurture rural communities and aims for at least 20 percent of the number of employees to be employed in business units operating in rural locations.

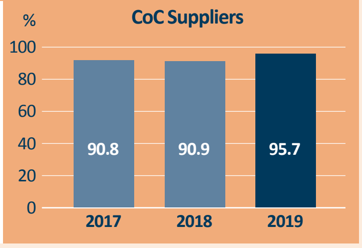
The proportion of rural employees increased from 24 percent to 25 percent in 2019. The explanation for the increased number of employees in rural areas is, among other things, the inclusion of the Finnish company Profin in Pudasjärvi in the reporting.



CODE OF CONDUCT FOR SUPPLIERS

Inwido's objective is for all suppliers to follow Inwido's Code of Conduct.

The proportion of direct suppliers of materials having signed Inwido's Code of Conduct rose from 91 percent to 96 percent in 2019. The increase is due to rigorous efforts regarding suppliers' compliance with Inwido's requirements.



Strategic priorities

Strong decentralization close to business transactions, ongoing acquisitions, and focus on consumers, as well as on efficiency and synergies. This is how Inwido's priorities can be summarized. Combined, they create a platform for continued growth.

In our industry, local awareness means everything. For that reason, Inwido focuses on leading and developing the strongest local market leaders in the industry. We give our business units considerable freedom to act independently. By allowing them to make decisions regarding their customer base, local preferences and local production independently and based on their local conditions, Inwido's business units are able to focus entirely on their specific operations, and are thus able to achieve their full development potential faster. The result is an agile and efficient Group in which the business units can adapt more quickly to market fluctuations, while customer relations are strengthened.

Our five strategic pillars

1 Highly decentralized structure with substantial local responsibility

By giving the business units full responsibility for their operations and profitability, we help them adapt quickly to changing market conditions.

2 Sustainable growth through continued acquisitions of strong and profitable businesses

By acquiring and developing strong local businesses with the potential for continued growth in profit, we safeguard the value we generate in the long term.

3 Focus on the consumer-driven market

By focusing on consumer's needs, Inwido's business units are able to develop attractive products and offers that add value for end-consumers, while the consumer segment is also generally more profitable.

4 Cost-effective local supply chains

Through close partnerships with suppliers, combined with local sales, production and logistics, greater internal efficiency is achieved.

5 Synergies in sourcing, finance, technology and leadership

A centralized purchasing organization generates significant savings for all business units. In other areas, we are constantly striving to share good examples of actions driving growth and profitability.

Inwido generates value at many levels

Together, Inwido and its business units generate unique value for customers, employees, shareholders and society alike. The individual business units within the Group are fully responsible for their operations and profits, while the Group contributes coordination gains in purchasing, logistics, sustainability and technology, for example. Listed below are examples of areas to which Inwido contributes centrally in developing its business units.

Financing

- Acquisitions contributing to future growth
- Shared activities to improve capital efficiency
- Improved financing terms

Purchasing

- Central coordination for lower purchasing prices
- More efficient planning with Group-wide overview
- Requirements for suppliers and other stakeholders to take responsibility and act sustainably

Operational management

- Knowledge exchange between factories
- Simplifying products and platforms
- Reduced sick-leave and fewer workplace accidents
- KPIs and performance review

How Inwido and its business units contribute to...

Shareholders

- Growth over time
- Stable returns
- An investment in market leading window and door companies

Employees

- Safeguarding continued competence development
- Driving health and safety issues as well as issues around employees well-being
- Responsible leadership
- High level of ethical and moral responsibility

Society

- Jobs and community participation particularly in rural and sparsely populated areas
- Products that reduce climate impact
- Reduced expenses for sick-leave through safe working environments and reduced sick-leave

A home for strong market leaders

Inwido acquires, owns and develops leading European business units in windows and doors. Local roots, suitable products and strong customer relationships are keys to success for Inwido and its 28 business units.

In the window and door industry, consumer focus and local market awareness are crucial for those seeking success. The market is fragmented – consumer preferences can vary widely between regions, even within the same country, and virtually all products are made to measure and adapted to the customer's unique needs. This insight is what has made Inwido a home for Europe's leading window manufacturers. Over the years, we have acquired more than 50 companies, which have grown into market leaders or clear challengers in their segments.

Key to profitability

The Inwido Group's key to long-term profitability entails deriving benefit from the business units' local potential and strength. With its Simplify governance model, the Inwido Group is highly decentralized. The business units develop their own operations and build their own success based on individual needs, conditions and opportunities. At the same time, the Inwido Group contributes insights, purchasing synergies, efficiency enhancements, manufacturing synergies, technology, e-trade potential, cost-effective financing, leadership development, sustainability focus and other strategic strengths that come with size. Backed by Inwido, the Group's business units grow more profitable and efficient than they would if completely independent.

Since the beginning, profitable growth through acquisitions has been a success factor for Inwido. The companies we are interested in may already be profitable market leaders in their niches, or companies in which we perceive potential for profitable growth. Read more about Inwido's acquisition strategy on page 18.

Simplify gained a foothold

In 2019, Inwido implemented its Simplify governance model, with its decentralized focus. The Group's business units have been organized into two business areas: North and South. The purpose is to increase the focus on customers and earnings throughout the organization, establishing an even more cost-efficient structure with a small and efficient Group Management team. The new governance model provides greater flexibility for future acquisitions and improves internal insight into the development of the individual business units by assigning them full responsibility for their operations and profitability. The initiative contributed to even better business results in 2019.

Our acquisition strategy, a cornerstone for continued growth

Growing by acquiring companies and then developing them, is part of Inwido's DNA. Accordingly, we are always seeking out value-generating acquisitions with continued potential to develop their earnings.

Inwido's acquisition philosophy is associated with its ambition of providing a strong home for Europe's leading business units in doors and windows. When assessing suitable acquisition candidates, we therefore begin with eight key criteria linked to the Group's overall operational targets.

Acquisition candidates shall: Sell windows and/or doors, generate stable profits, hold strong positions in their markets, operate in the renovation segment, have strong management, offer synergies, be present in the UK, Poland and the DACH countries and offer promising potential for development.

In the initial analysis, these eight criteria are not exclusive – meaning that a potential acquisition need not meet all eight criteria – although they do help prioritize potential acquisitions based on Inwido's proven capacity for making value-generating acquisitions, as well as on the Group's established strategic priorities. In 2019, Inwido's acquisition strategy was further developed with, the following success factors also contributing, in addition to the eight key acquisition criteria:

- Early focus on value-generating savings with Inwido's purchasing synergies
- Strong and robust integration and business development plan, including assured management continuity
- Implementation of business improvements through the application of Inwido's business model
- Strong cash flow generation to "amortize" the acquisition and provide scope for new acquisitions

A thorough acquisition process

In the actual acquisition process, we examine both the business units and their market conditions. We take the time and effort to build long-term relationships with acquisition candidates and wait for the right moment – because we acquire business units to keep them, we are careful to ensure it is the right move for both parties. Because of this the acquisition processes can take a long time, sometimes several years, which is why we maintain an ongoing dialogue with candidates we are evaluating.

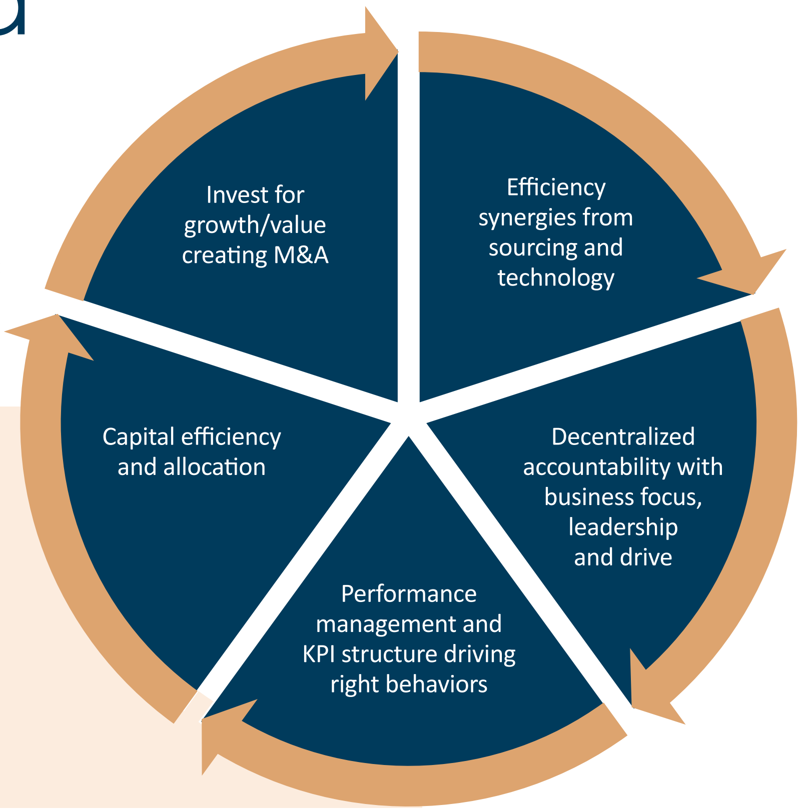
Succeeding in profitable growth through acquisitions requires applying a meticulous acquisition process from start to finish – from initial analysis to due diligence, negotiation, integration and follow-up. This is how we assure the quality of the acquisitions that are made and how we ensure that we have the skills in place needed to develop the acquired business unit. In addition to the basic requirement of good financial performance, it is very important that the acquired business units have, or are assigned, management teams that are ambitious in continuing to operate the business units and contributing to profitable growth in Inwido's decentralized business model. We devote a lot of time to getting to know the management of the business unit and other key employees early in the acquisition process, to develop a mutual understanding of culture and values.

Inwido's most recent acquisitions

Business unit	Country	Net sales, SEKm	Acquired
Profin	Finland	120	2018
Bedst & Billigst	Denmark	135	2018
Bøjsø Døre og Vinduer	Denmark	37	2017
CWG Choices	Great Britain	285	2016
Outrup Vinduer & Døre	Denmark	260	2016
Klas1	Finland	35	2016
Lämpölux	Finland	255	2016

How shareholder value is generated

Since the introduction of Inwido to the stock market in September 2014, the Company has delivered a steady dividend and growth, as well as gradually consolidating its position as Europe's leading Group within windows and doors. With its business model, the Group strives to maintain and strengthen the incentives to invest in Inwido. All of this serves to continue building shareholder value in the long-term and to develop Europe's leading windows and doors companies.



Inwido will:

1. Continue generating value through purchasing and technology
2. Continue to stimulate decentralized units with a strong business focus
3. Continue to develop profit and goal-oriented leadership
4. Continue to improve its capital efficiency to provide scope for investment
5. Continue to invest in strong business units, helping them grow even stronger

Three reasons to invest in Inwido

1 Positioned for future growth

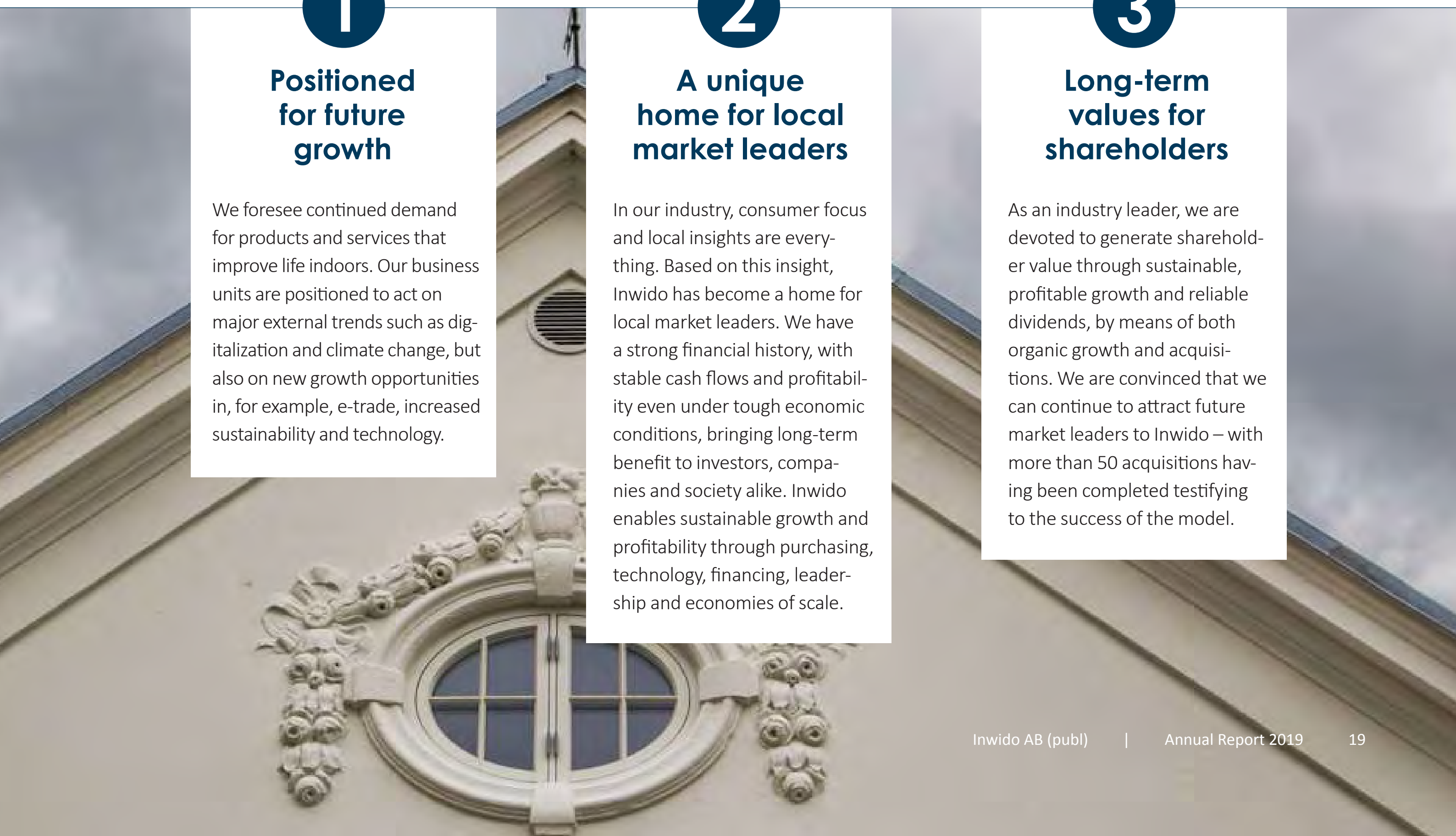
We foresee continued demand for products and services that improve life indoors. Our business units are positioned to act on major external trends such as digitalization and climate change, but also on new growth opportunities in, for example, e-trade, increased sustainability and technology.

2 A unique home for local market leaders

In our industry, consumer focus and local insights are everything. Based on this insight, Inwido has become a home for local market leaders. We have a strong financial history, with stable cash flows and profitability even under tough economic conditions, bringing long-term benefit to investors, companies and society alike. Inwido enables sustainable growth and profitability through purchasing, technology, financing, leadership and economies of scale.

3 Long-term values for shareholders

As an industry leader, we are devoted to generate shareholder value through sustainable, profitable growth and reliable dividends, by means of both organic growth and acquisitions. We are convinced that we can continue to attract future market leaders to Inwido – with more than 50 acquisitions having been completed testifying to the success of the model.



Well-positioned for future growth

Inwido's business units operate in a market that is undergoing change. Digitalization, new competitors and new sales channels are continuously redrawing the playing field. At the same time, an underlying demand for windows and doors.

The market for windows and doors has always been a complex one. However, if it was previously a matter of understanding consumers' local preferences in terms of materials and window designs, today it is equally a matter of understanding how digitalization brings new consumer behaviours, new products and services, new competitors and new channels into being in the market. Inwido's business units make their decisions based largely on their own local markets. Those markets can, in turn, differ considerably. There are a number of factors that can make one region entirely unlike its neighbour. Everything, from local construction techniques to lifestyle, government regulations, seasonal variations or simply consumers' preferences and tastes, determine development. At the same time, there are a number of shared market trends that will decide how Inwido, as a holding company, acts moving forward. Some of the most important trends are presented below.

Four trends affecting developments in the market

Renovation drives the market forward

Although the new construction sector is important, it is not dominant within Inwido. Individual consumers' needs for home renovations are what steer the trend to a large extent. The most common customers are owners of small single-family homes, seeking to change two or three windows and opting to do the work themselves or to engage a craftsman. There is also a large underlying need for renovation across Europe that will drive the market forward regardless of how the new construction market develops.

Urbanization opens new opportunities

Around the world, people are increasingly choosing to move to cities. This increases demand for smaller homes, while, for many, good product design has become increasingly important. This in turn drives demand for larger windows, for example, that bring in more daylight, as well as for windows and doors that enhance the sense of safety and security in urban environments.

External sustainability requirements are increasing

A growing number of countries demand that citizens and companies reduce their climate footprint. This increases demand for products that help reduce energy consumption, enabling a more climate-smart life for all. Inwido develops products and services that save energy, thereby helping consumers reduce their impact on the climate.

Digitalization changes behaviours

Digitalization and development towards an "Internet of things" entail an increasing number of everyday objects being connected to the Internet. New technical solutions for safety, lighting, ventilation and comfort, for example, will increasingly be integrated into people's homes. At the same time, people's changed behaviours and development towards the connected home allow new players to enter the market. This increases competition, extends the product range and changes buying and selling patterns among customers.

How the Nordic window market is expected to grow

To understand what is expected to drive growth and value development in the Nordic market over the long term, Inwido produces regular analysis and trend reports. The latest Nordic Markets Study was compiled in early 2020, quantifying seven main trends affecting demand for windows and doors. The Nordic window market is expected to grow by 15 to 25 percent between 2020 and 2030.

The report, prepared by leading industry consultants, describes how long-term trends can affect window markets in Sweden, Norway, Denmark and Finland.

The following seven trends were analyzed and quantified

1) Population and household growth
2) Urbanization
3) Ageing population and labour market changes
4) Climate change and sustainability
5) Subsidies
6) Safety/security
7) Technology

Population growth, energy efficiency, safety and environmental aspects are driving growth

Although none of the trends will have a significant impact on the market in isolation, together they are expected to contribute to stable growth, with an estimated total positive impact of 15-25 percent between 2020 and 2030, (1.4-2.3 percent annually). Note that this estimated growth is driven by these seven trends only. Other factors affecting the window market, such as GDP changes, changes in private consumption, and so forth, have not been taken into account.

What the European market looks like

The European window and door market is extremely fragmented, comprising a large number of small, local players and a small number of larger players. Windows are the dominant product. In the Nordic region, solutions combining wood and aluminium dominate with 90-95 percent of the market. The market for exterior doors is estimated at about one fifth of the total market. Accessories are not reported separately in the overview below.

WESTERN EUROPE

– **Market value:** EUR 18 billion
– **Materials distribution:** PVC 47%, wood and wood/aluminium 53%
– **Nordic Region only:** Wood and wood/aluminium 90%
– **Customer segments:** Renovation 60%, new construction 40%

EASTERN EUROPE

- **Market value:** EUR 4.15 billion
- **Materials distribution:** PVC 75%, wood and wood/aluminium 25%
- **Customer segments:** Renovation 54%, new construction 46%

Sources: Estimates by Interconnection Consulting and Inwido for 2019.

Some conclusions from the report

- **Demographic changes** are expected to have a positive impact on the markets, mainly due to population growth, and primarily in Sweden, Norway and Denmark. Overall, the Nordic population is expected to increase by 5.1 percent or 1.4 million by 2030, driving housing needs. Based on population growth alone, some 630,000 additional new homes would need to be built over the period. To some extent, the population increase will offset the somewhat negative volume effects on the window market from urbanization and ageing. However, urbanization is expected to have a positive effect on the value trend, partly due to increased demands for sound insulation in cities.

- **Climate change and sustainability**, with more extreme weather and more rain, the need for increased durability is expected to contribute positively to value growth in the market, including an increasing proportion of windows in wood/aluminium.

- **Safety, security and technology content** is also expected to have a positive impact on the market, bringing a larger proportion of high-value products.

Inwido present in north and south

Inwido's Simplify governance model is based on a highly decentralized structure allowing Inwido's 28 business units scope for entrepreneurial spirit and local initiatives. The operations are organized into two business areas, North and South, each of which are headed by a Business Area Manager who is a member of the Group Management team. The result is an agile and efficient group, in which the business units are closely linked to the central Group organization.

BUSINESS AREA NORTH

Industry leader in stable but challenging markets

Business Area North brings together the Group's operations in Sweden, Norway and Finland. Historically, the Nordic Region is Inwido's stronghold, with a number of well-known brands. Characteristically, the larger companies within North hold market-leading positions, while the many smaller companies often are market leaders in a particular channel or niche.

Market overview North

In 2019, the Industry markets in Sweden and Finland remained challenging, with decreased new-built construction, although the trend in the consumer segment, which is of importance to Inwido, stabilized somewhat.

Business Area North includes some of the Group's largest companies, such as Elitfönster in Sweden and Pihla Group in Finland – both established industry leaders. Traditionally, a large part of sales in **Sweden** reach consumers through specialist builders' merchants and building supply retailers and to the industry segment via construction companies and manufacturers of prefabricated homes. Significant sales to a small number of large-scale customers, such as construction companies and manufacturers of prefabricated homes contribute to increased cyclical sensitivity. **Finland** is a relatively consolidated market and, together, Inwido's business units there are market leaders with several strong brands. In addition to sales to construction companies and specialist builders' merchants, the dominant sales channel is direct sales to consumers via home visits. The market in **Norway** is characterized by a relatively large proportion of imported windows and fewer sales channels. Construction companies, carpenters and consumers all purchase predominantly through retailers. Combined, Inwido's business unit is number four in the Norwegian market, selling mainly to the consumer segment through specialist builders' merchants. The relatively large proportion of industry/new construction transactions within North implicate slightly longer visibility in the order backlog.

Summary of 2019

- Elitfönster got a new Managing Director – Jonas Hernborg – and the company took a number of strategic initiatives and made investments for increased earnings and expansion.
- Three new Managing Directors were appointed in the Finnish business units Sydänpuu, Profin and Klas1. Markus Palola, Ville Nevala and Aki Lindgrén were all recruited internally from the business units over which they took charge.
- Turnaround for Lyssand Frekhaug in Norway: In 2019, the operations were refined and the company changed name to Lyssand-Frekhaug AS. Sales and earnings grew and the business unit captured new market shares.

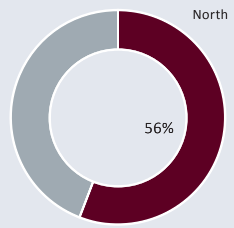
Key data North

Key ratios	2019	2018
Net sales, SEKm	3,750	3,970
Operating gross profit, SEKm	844	947
Operating gross margin, %	22.5	23.8
Operating EBITA, SEKm	226	319
Operating EBITA margin, %	6.0	8.0

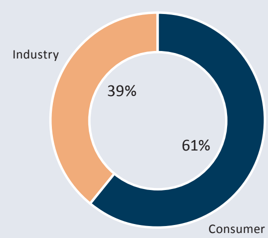
Market positions:

Sweden: No. 1 (windows)
Finland: No. 1 (windows)
Norway: No. 4 (windows)

Share of external net sales



Net sales by market segment



Lyssand-Frekhaug – story of a turnaround

Inwido's acquisitions of the Norwegian business units between 2005 and 2006 took the Group on a challenging and educational journey. From sales of more than SEK half a billion, with strong margins, to declining sales and lost market shares. Following a successful rethink, however, the operations have returned to sustainable positive figures, growth and increasing market shares. This is how it happened.

Lyssand Frekhaug is headquartered in Norway's second-largest city, Bergen, and has its own factory in Frekhaug. With 110 employees, 70 of whom work in production, the unit produces goods comprising about 50 percent of its sales. The remaining proportion of windows and doors are manufactured in Sweden. The brand portfolio includes window brands Frekhaug and Lyssand, and door brand Diplomat.

First. A turnaround in the wrong direction

When Inwido acquired the units in 2005/2006, they were generating annual sales of more than SEK half a billion and strong profits. And that was how they continued for several years. But the trend then took a turn in the wrong direction. Declining sales and profits necessitates measures including relocating manufacturing and a fundamental review of strategy, product range and customer focus, and the merging of units. An initiative that produced results.

Then. A turnaround in the right direction

In 2017, Inwido and the management of the Norwegian company chose to focus the range on suitable products and customer groups. By carefully reviewing all customer segments and concentrating the offer to a smaller number of specialist builders' merchants, the operations got back on track. Henry Krohnstad has been the Managing Director of the company since 2018.

"We have trimmed the offering and made it more relevant, so that our customers want to buy more from us. In addition, with high requirements to deliver on or above expectations. Doing everything we can for retailers, both centrally and locally, is a success factor that generates good business. With regard to our internal efforts, we have increased our employees' ownership and responsibility for earnings, which has also contributed to our turnaround," says Henry Krohnstad, Managing Director of Lyssand-Frekhaug.

Good products, superior service and fast delivery

Lyssand-Frekhaug sells its products through retailers. This involves order-based production, a selection of standard products in stock and a very good distribution system with deliveries to all regions of Norway, up to several times a week. In other words, another recipe for success considering Norway's large distances and a challenging infrastructure.

Focused efforts moving ahead

In 2019, the operations were refined, the name changed to Lyssand-Frekhaug AS and the company's two brands – Lyssand, with its modern styling, and Frekhaug with its traditional design – being made even more relevant for the target groups. These initiatives were fruitful and sales and profits continued to grow in 2019, with the company continuously gaining market shares in Norway. In 2020, plans are also made for continued investment in Norwegian door brand Diplomat.

KLASI IKKUNAT FREKHAUG VINDUET LYSSAND diplomat LÄMPÖLUX steelform SYDÄNPUU

BUSINESS AREA SOUTH

A good year for many of the business units

Business Area South brings together the Group's operations in Denmark, the UK, Ireland and Poland. The business area also includes e-Commerce, Inwido's e-commerce sales in six markets. South is characterized by several medium-sized and some smaller business units, as well as a greater focus on the renovation market.

Market overview South

Business Area South continues to develop positively. Among Inwido's larger Danish operations, development remains strong, confirming that independent local business units can gradually develop and refine the operations.

In contrast with the markets in North, the absolute majority of sales in **Denmark** are made to the renovation market through specialist builders' merchants and craftsmen. The sales of the **e-Commerce** business unit are also managed and developed from the same country. Online sales are continuing to grow in most of the six markets in which e-Commerce is represented, and further expansion is also planned. In **Ireland,** the new-built construction market has been strong in recent years, although there is also a prosperous renovation market here, which has increased thanks to the country's strong economy. The market in Ireland, as in Poland and the UK, is characterized by the dominance of PVC windows in the low and medium-price segments. In these countries, Inwido's business units focus mainly on the premium segment on wood and wood/aluminium, products, for which the margins are generally better. Inwido has three business units in the **UK,** one of which specializes in PVC and aluminium products, the other two (one of which is Inwido's oldest brand, Allan Brothers) are based on sales of wood– and wood/aluminium products. The UK is expected to be Europe's largest market for windows within a few years, although the uncertainty surrounding the consequences of Brexit means forecasts remain uncertain. The smaller proportion of industry/new-built construction transactions within South entails shorter visibility in the order backlog.

Summary of 2019

- **Digital growth:** e-Commerce continued to grow, increasing its sales by 9 percent over the year.
- **Stable development:** The Danish business units have continued their highly favourable profit trend.
- **Continued improvements in the UK:** Efficiency improvements yielded results for Allan Brothers and Jack Brunsdon, while CWG Choices showed favourable development despite the uncertainty surrounding Brexit.
- **Positive trend in Ireland:** The profitable sales growth in Ireland continued to rise to record levels.

Key data South

Key ratios	2019	2018
Net sales, SEKm	2,713	2,517
Operating gross profit, SEKm	831	747
Operating gross margin, %	30.6	29.7
Operating EBITA, SEKm	458	383
Operating EBITA margin, %	16.9	15.2

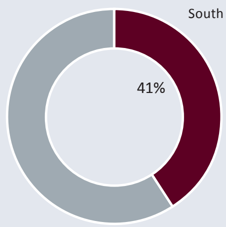
Market positions:

Denmark: No. 2

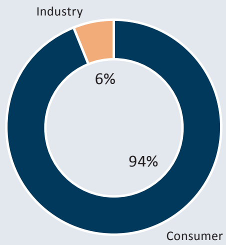
e-Commerce: No. 1 in Denmark, Norway and Sweden and newly-established in other markets.

Other: Newcomers or clear challangers.

Share of external net sales



Net sales by market segment



ALLAN BROS. Craftsmen of Timber Windows & Doors | kpk DØRE & VINDUER | Bedst & Billigst | CWG Choices Ltd. | Outline | OUTRUP | sparvinduer

KPK. One of Inwido's brightest stars

KPK Døre og Vinduer is a leading manufacturer of windows and doors in Denmark and has been part of Inwido since 2007. The company is one of the Group's most successful. The recipe is a combination of solid Danish traditions of craftsmanship, focusing on quality, durability and high-tech production. Part of KPK's recipe for success is its uniquely strong and direct relationship with more than 4,000 craftsmen.

Production, development and management are located in Nykøbing Mors in Jutland. KPK employs 250 people there, making it the largest employer on the island of Mors. Characteristics of the employees are their substantial professional expertise and genuine commitment to collaborating with local craftsman, assuring customers of a high level of quality in every installation. All of the windows and doors are manufactured 100 percent to meet customers' specific needs and are sold through craftsmen all across Denmark.

Full focus on craftsmen

With high demands on service and guidance, KPK's in-house sales department offers lightning-fast service to approximately 4,300 craftsmen throughout Denmark. Craftsmen who have chosen to install KPK's wide selection of windows and doors. The sales department, which responds to craftsmen's calls in less than 20 seconds, has solid experience and specific product expertise. In addition, a special group of window consultants offers qualified guidance services, assistance in making measurements and product demonstrations. KPK's competitive advantage does not end with offering the right products, delivery on time is another important success factor. On-time delivery is essential for KPK, which delivers made-to-measure windows within 3-4 weeks. Through the "Quick Delivery" initiative, craftsmen receive made-to-measure windows in just six working days.

Digital support for flexible orders

With increasing demand for digital tools among modern craftsmen, KPK has also chosen to adopt a leading position within technical applications. With the initiative in the KPK 365 digital platform, craftsmen have direct access to precise orders in digital platforms, including mobile phones, tablets or computers. And with a modern webshop for accessories, KPK makes it easy for installers to quickly help end customers when installing or making repairs.

Proud history and great respect for the craft

KPK Døre og Vinduer has its roots in the Denmark of the 1950s, at that time under the name Vester Jølby Sawworks, founded by Ernst Støvring Sørensen. Throughout the 1960s, the company successfully produced standardized houses, with components including windows and doors. In 1980, Ernst and his sons Karl Peter and Magnus chose to focus entirely on producing windows and doors. Throughout the years, proud craftsmanship and local commitment to the craftsman's trade and needs have been the bright guiding light.

Sponsoring craftsmanship competitions and national handball team

For many years, KPK has been a sponsor of the annual Skills championship in Denmark, in which craftsmen and carpenters (among others) compete. The sponsorship applies to both local and international championships – all with the aim of giving something back to the craft and contributing to its future growth and development. KPK also sponsors the popular Danish women's handball team, increasing the company's visibility, providing unique customer events and building a stronger market presence.

Inwido e-Commerce. A growth engine

Buying windows and doors online is easy. An increasing number of homeowners are doing this to obtain quality products, delivered quickly and at a competitive price. In 2019, nine percent of Inwido's sales were made online, directly to consumers. This is how growth in the e-Commerce business unit is expected to continue.

Simplicity, flexibility, quality and attractive prices are the main drivers of the rapidly changing consumer trends in e-commerce. Today, online sales involve much more than books, clothes and travel. Today, experienced e-commerce consumers buy 170,000 windows and doors annually with fast delivery from one of Inwido's 12 e-commerce brands, including Sparvinduer, Bonusfönster, JNA and Bedst & Billigst. Inwido's e-Commerce operations are managed from Odense in Denmark, where Bo Overgaard Christensen is in charge.

"We are the leading e-commerce player in windows and doors in the Danish, Swedish and Norwegian markets, and our ambition is to grow in Germany, Austria, the UK and Finland too. Since JNA started in 1990 and Sparvinduer in 2006, we have expanded in line with the growing confidence in purchasing building materials online," says MD Bo Overgaard Christensen.

In 2006, Danish JNA was the first company to launch online sales of windows and doors, giving the mail-order and e-commerce pioneer a valuable head start. In 2014, Inwido acquired JNA and Sparvinduer, further driving the expansion and increasing the business units' international footprint. In 2018, Danish Bedst og Billigst was acquired by Inwido, bringing strong growth to the e-Commerce operations. The acquisition added the newly built Swan Windows factory in Romania to the e-Commerce business unit.

Multichannel e-commerce

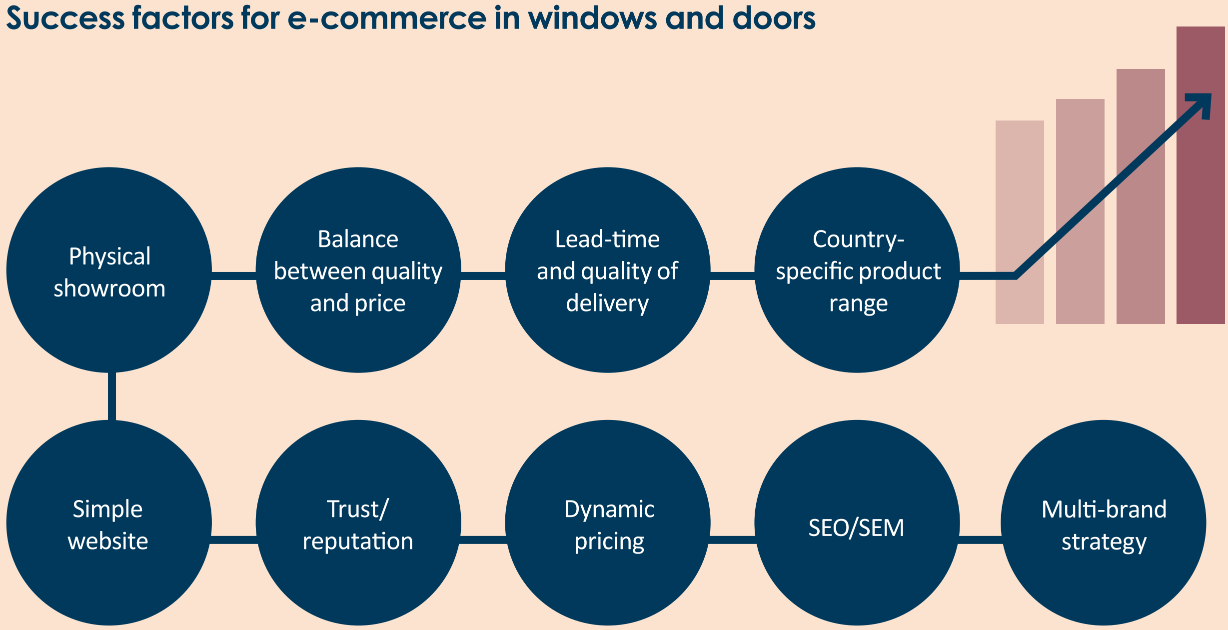
To simplify e-commerce and the digital customer experience, Inwido's e-Commerce units offer three channels for buying windows and doors online.

1. Online only. Customers order directly from a website.
2. Online assistance. Customers call, chat or e-mail in connection with placing their online order.
3. JNA's customers visit a showroom to place their orders, assisted by sales staff.

Three specialized e-commerce factories

A total of more than 700 people go to work each day to provide windows and doors for Inwido's e-commerce operations. The largest factory is located in Sokolka, Poland, with more

Success factors for e-commerce in windows and doors



than 300 employees, Jõesuu in Estonia has 200 employees and Glodeni in Romania has 120 employees. Combined, the three factories produce some 160,000 windows and doors annually. All windows and doors are then sent to the Danish logistics hub in Herning for final delivery to customers.

PVC windows, particularly for customers in Germany and Austria, come from an external supplier.

Flexible offering – correct pricing

"Do it yourself" and "Find it yourself" homeowners are generally customers needing guidance through the purchasing process, imposing stringent demands on easy online shopping experiences. The battle for the customers' is won by means of search engines such as Google, attractive websites and through the delivery process. Online customers demand a smooth and easy online experience, fast delivery within a maximum four weeks and good value for money. To be competitive in online window sales, Inwido's brands must be lightning fast in adjusting their prices and promotional campaigns. The online channels offer fluctuating and dynamic pricing, with updates on a daily or weekly basis.

Cultural and product awareness crucial for international expansion

Having built a strong platform in Scandinavian online sales of windows and doors, the continued international expansion requires dedicated local strategies. It is not possible to simply copy one recipe for success from one country to another. In Denmark, for example, price is more important than it is in Norway, where energy efficiency is instead a key consideration in selecting windows and doors. In Germany, PVC windows and inward opening windows are popular, while in Sweden, out-ward opening windows are in demand. Examples of critical differences when expanding online sales internationally.

HISTORY

- **1990:** JNA Windows established as mail-order company
- **2006:** The company launches online sales (first in Denmark), adding the Vinduer brand
- **2008:** Spar Vinduer established in Norway and, in 2011, in Sweden
- **2014:** JNA / Spar acquired by Inwido
- **2015:** Established in Germany (2015), UK and Ireland (2016), Austria and Finland (2017)
- **2018:** Bedst & Billigst acquired by Inwido
- **2019:** Production transferred from Herning to Romania, production capacity in Estonia increased and the Danske Vinduer brand discontinued
- **2019:** Re-profiling of SparVinduer (Denmark) and BonusFönster (Sweden)

How Inwido generates purchasing power

With size comes strength. By coordinating purchases, significant savings are generated for the Group's 28 business units. Thanks to a Group-wide overview and continuous improvements, purchasing synergies are generated while Inwido inspires suppliers to step up their sustainability efforts.

Each year, Inwido's business units purchase goods and services for approximately SEK 3.5 billion, of which SEK 2 billion involves procurement from some 700 suppliers of materials essential in the production of windows and doors. The largest categories are wood, aluminium, glass, fittings and coatings, which are all sourced from various suppliers, predominantly within Europe. About 25 percent of the purchasing is sourced from Swedish suppliers, a large proportion of the glass comes from Poland, the wood from Sweden, Finland and the Baltic States and fittings from countries including Germany.

Through close, Group-wide partnerships with suppliers, combined with local sales, production and logistics, greater internal efficiency is achieved. By continuously seeking out shared opportunities, ideas and economies of scale can spread to all business units within the Group.

Backed by Inwido, the Group's business units grow more profitable and efficient than they would if completely independent.

Purchasing strategy

Inwido's purchasing strategy never rests. By helping assess, fine-tune and improve both Group-wide and local purchasing efforts on a daily basis, "best practice" within the Group is assured. This results in the lowest possible total cost, improved working capital and, of particular importance, shorter lead times and lower risk in the supply of goods.

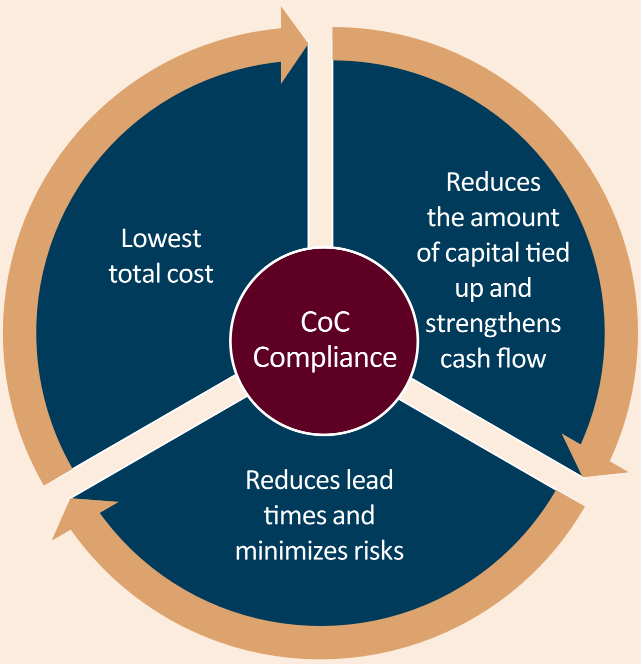
Savings, quality and improved profitability

The objective with Group-wide purchasing is to cut purchasing costs on an annual basis, while at least 97 percent of deliveries are to be made on time and in accordance with the zero-fault principle.

On the whole, strategic purchasing efforts help significantly improve the income statements and balance sheets of the business units.

Purchasing synergies in acquisitions

In addition to safeguarding the ongoing supply of goods to Inwido's 28 business units, a structured working model is also applied within the Group's purchasing in connection with acquisitions. During the acquisition process, the target unit's purchasing processes are broken down and analyzed to identify synergies that are then implemented in a subsequent 100-day programme. In connection with Inwido's five most-recent acquisitions, the cost savings in major purchasing categories corresponded to about 5-10 percent of the acquired units' purchasing volumes.



3.5
SEK billion in total purchasing

2
SEK billion in materials procurement

700
suppliers – direct materials

Responsibility for environment, people and community

Inwido and its 28 business units affect the environment, people and communities. As an industry leader, we bear a considerable responsibility – a responsibility that we willingly assume. This responsibility is supported by the three value-generating areas of focus in our sustainability compass, with the objective of giving more than we take.

Inwido's long-term sustainability philosophy is for the Group to give more than it takes. This means that what our business units consume to produce windows and doors will eventually lead to greater, lasting benefits for our business units, as well as for people, the environment, shareholders and society. By developing energy-efficient products we can help consumers lead a sustainable lifestyle, helping reduce climate impact. For Inwido, sustainability is largely associated with not wasting resources, whether in the form of raw materials, employees' time or energy, for example – while, at the same time, Inwido grows and develops as a group.

By growing sustainably, we generate new jobs, while offering secure employment in which individuals can develop. By being a good employer, we have opportunities to collaborate with knowledgeable, motivated and ambitious individuals who develop within our business units each and every day. But our responsibility also extends to entire villages, towns and regions. Since most of our operations are located in rural areas or smaller towns, our business units are particularly important for their local communities. The units' success is linked to the prosperity of the entire community and its labour market.

Code of Conduct and ethical guidelines

Our responsibility also extends beyond our local environment. We require that suppliers and partners comply with our Code of Conduct, which includes ethical guidelines on anti-corruption and human rights. It is together and in close cooperation that we can make a real difference.

Purposeful and quantifiable sustainability efforts strengthen Inwido while our business units ensure a sustainable return for people, communities and shareholders. On a day-to-day basis, the Group's sustainability work is governed by two basic policies: our Code of Conduct for employees and business partners, as well as our policies in the areas of health, safety and the working environment. Our sustainability work is also subject to ongoing governance and follow-up via, the Boards of Directors of the units, for example. These policies meet the requirements set out in a number of key international and generally accepted principles, including the UN's 17 global goals and the UN's Global Compact, with its ten principles.

Page 55 in the Directors' Report, presents a sustainability report in which we have compiled where our sustainability data can be found.

Inwido's sustainability compass

With responsibly-produced and energy-efficient products, people can create a sustainable lifestyle, at home and at work. We follow three strategic guidelines:

	Be an environmental friend	Be a good place to work	Be a supportive corporate citizen
WHY?	*Because we need natural resources to do business.*	*Because empowered colleagues make a difference and create value.*	*Because aligning with society helps us create more business opportunities.*
HOW?	- We decrease environmental impact from our own operations and demand the same from our suppliers - We use wood from sustainable forestry - We reuse, recycle and constantly look for better, sustainable materials - We are transparent with product environmental performance - We monitor waste and materials	- We strive to develop our people and make them feel respected and valued - We are committed to safeguard the health, safety and welfare of all our employees, with zero work related accidents and decreased sick-leave - We strive for equal opportunities - We continuously invest in better working environment	- We have zero tolerance regarding corruption and any unethical business behavior - We demand responsible behavior in the whole value chain - We adhere to a set of strict codes of conduct - We engage with our local communities

Key sustainability initiatives in 2019

Our sustainability work is in constant progress and a number of initiatives were taken in 2019.

Applying the UN's 17 global goals

Inwido and its business units work to promote the UN's 17 goals for sustainable development. Inwido focuses, to varying degrees, on the following seven goals. Goal 3, Good health and well-being, Goal 5, Gender equality, Goal 7, Affordable and clean energy, Goal 8, Decent work and economic growth, Goal 11, Sustainable cities and communities, Goal 12, Responsible consumption and production, and Goal 13, Climate action.

Signed the Global Compact

In 2019, Inwido signed the UN Global Compact, meaning that Inwido undertakes to work actively on sustainability issues and to report on this work to the UN. The work is based on the Global Compact's ten basic principles, which is build on internationally accepted conventions on human rights, labour rights, the environment and anti-corruption.

Initiated Group-wide sustainability meetings

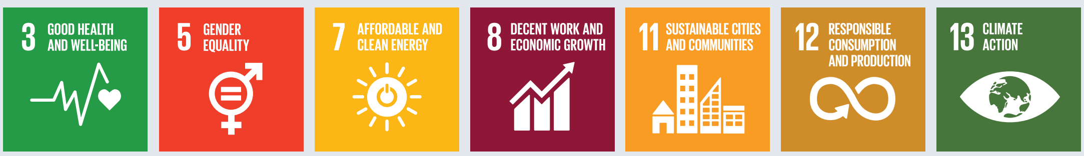
In 2019, Inwido arranged four Group-wide sustainability meetings at which senior executives from the business units participated. This work will continue in 2020. During the meetings, the teams review the sustainability work and follow up on reporting. Knowledge is shared between large and small business units alike, resulting in collaboration across business units. In addition to reporting, the meetings address specific themes, including energy, production, the working environment and community engagement, etc.

During the annual Management Meeting, the Group's sustainability award was presented to the business unit having implemented the most significant sustainability initiatives. In 2019, the sustainability award was presented to the Swedish business unit Hajom Skjutdörrar for its thorough environmental work and progress in, for example, energy consumption, waste volume, emission to air, etc.

Reported to Carbon Disclosure Project (CDP)

All Inwido business units report data regularly in accordance with Inwido's sustainability KPIs. A large proportion of these KPIs are used in the annual reporting to the CDP, including Inwido's greenhouse gas or carbon dioxide emissions. The CDP reporting has become Inwido's principal channel for reporting and describing its climate strategy, as well as for gathering its reporting and follow-up of emissions, etc. In 2019, Inwido climbed two steps in the CDP ranking, from Disclosure to Management, which is the second-highest level.

Inwido focuses on the following seven goals:



THE GLOBAL GOALS

Case 1, Sustainability compass. **Be an environmental friend**

Elitfönster gives back to the environment five times over

Elitfönster's objective is to offer climate-smart products giving greater climate benefit when they are in use than the climate impact caused in manufacturing them. Giving more than you take.

"We are proud that a window from Elitfönster, gives back, on average, five times more to the environment in carbon dioxide saving over its lifetime than it costs to produce, including transport, input products and raw materials. In other words, a window from Elitfönster is a sustainable alternative even from an environmental point of view," says Jonas Hernborg, Managing Director of Elitfönster.

From an environmental perspective, the ability to retain indoor heat is one of the most important features of a window. This is where Elitfönster can make its largest and most important contribution to a better environment. But environmental work does not end with the product. Responsibility for increased sustainability extends to many areas.

Responsible forestry

Wood is a pure natural product that benefits the climate by storing carbon dioxide. All windows from Elitfönster have a wooden frame, more specifically finger-jointed, slat-glued and twig-free pine. Wood from responsible forestry is used, mainly FSC/PEFC-labelled.

Sustainable products

Elitfönster windows are P-labelled quality products with a long lifetime and minimal maintenance requirements. In turn, this means better indoor comfort and reduced impact on climate.

Resource-efficient operations

The strategy is to minimize spillage and waste. Where waste or spillage does occur, this is recycled to the greatest extent possible. For example, factories and premises are heated with wood waste from production, and the electricity supply derives from wind power.

Carefully selected and reviewed chemicals

Strict environmental requirements are imposed with regard to chemicals, with all being carefully assessed and documented to ensure a safer work environment and to avoid hazardous substances in products. Our coating and impregnation facilities have effective purification equipment.

Environmentally efficient transport solutions

We are investing a great deal of effort into streamlining our transports. Transport solutions are being developed continuously in partnership with our logistics provider. Our company cars are hybrids and we have charging stations at our facilities.

Social responsibility

In collaboration with suppliers, operations are achieved that are environmentally and socially sustainable throughout the value chain and in the long term. Suppliers sign the Code Of Conduct, certifying that they will adhere to Elitfönster's values. Elitfönster also works actively to give young people a brighter future, for example via the Swedish Mixed Martial Art Federation's "Våga Vinna" (Dare to win) project and the Swedish Childhood Cancer Fund's Team Rynkeby initiative.

Elitfönster is certified in accordance with ISO 9001 and 14001.

2,000 tonnes
glass waste/year recycled into new panes, bottles/jars

100%
electricity supply from wind power

10,000 MWh
heat/year from in-house wood waste

100%
circular recycling of plastic components

Case 2, Sustainability compass. **Be a good place to work**

Pihla Group invests in employees and leadership

Finland is home to one of Inwido's largest business units, Pihla Group Oy. This window company strives to offer an ever-better workplace for its 600 employees. With a particular focus on committed employees and a new leadership programme, the level of ambition is now being raised.

"Creating an attractive workplace is the result of ALL employees' efforts! Of course, company management has the task of investing resources and knowledge in HOW we want to develop the working environment, but it is only through personal commitment that we can succeed," says Marko Kohvakka, HR Director at Pihla Group.

With 600 employees, of whom some 400 work in three factories, developing employees and leadership is a delicate task. In addition to safe workplaces, modern equipment, opportunities for training and advancement, wellness and favourable conditions, the Pihla Group is now raising its level of ambition. In 2020, efforts will be strengthened to delegate increasing responsibility to employees.

"We want to foster an 'entrepreneurial spirit' with an extended personal mandate and opportunities for employees to influence their workplace. From experience we know that getting people to develop things and to develop themselves, they feel better and perform better. In everyday life, this entails managers being present, curious and good at giving feedback and encouragement," says Marko. "Delegating upwards is easy, delegating downward is more difficult, but essential in a good workplace," Marko notes.

Opportunities for influence are crucial

With Pihla Group's investment in "Lean Groups", employees are encouraged to present improvement proposals and development initiatives in their workplace. Some ideas, such as improvements in production, the environment or safety, can be realized immediately. Others need more time and greater resources.

"It is important to be responsive to new ideas and to listen to our employees who best understand how, for example, production should be developed. It is hardly surprising to say that satisfied employees contribute to sustainably improved business results, which is why we would be simply stupid if we did not listen carefully to our employees ideas," Marko says.

In Pihla Group's mentoring programme, committed employees are assigned a mentor of their own, to help them develop and grow into a leadership role over time.

That little bit extra, makes a big difference

Low rates of absence due to illness and a vision of zero incidents and accidents provide the platform on which Pihla Group's employees develop as employees. The factories regularly arrange activities and team building, which also address life outside the workplace. Family members and children are invited to visit the workplace and every year employees can contribute to community activities, at schools and homes for the elderly, for example.

"Since we are part of society, we should also give back to the families and social functions on which we depend, directly or indirectly. This strengthens our pride internally and we become strong ambassadors for our company, which is important, not least, when continuing to recruit dedicated employees in the future," concludes Marko Kohvakka, HR Director.

Case 3, Sustainability compass. **Be a supportive corporate citizen**

Outline gives people a second chance

The Outline facility in Farsø, Jutland has a "factory within the factory". A workplace with its very own pace and specifically defined purpose. Offering people a second chance for employment that both develops and stimulates them, regardless of their challenges or backgrounds.

Outline Plus was initiated in 2011 as a collaboration between Outline and the Municipality of Vesthimmerland to help people enter or return to the labour market. Some of these people have been on long-term sick leave, others need work training or specific efforts to further their integration. As many as 31 people train work tasks concurrently at the department, in the factory or in the administration offices, for a period ranging from four weeks up to three months. The tasks support Outline's production and the principle is that the employees make a valuable contribution to the broader team effort, although in accordance with their individual capabilities. Each year, several people who have participated in Outline Plus gain permanent employment at Outline.

"We seek to be a socially responsible company, contributing to the region's inclusive labour market. We believe that every individual has a value and can contribute to society no matter what challenges they may face," says Jens Sørensen, Managing Director of Outline.

100 people are trained in various tasks

Tasks may include making repairs, painting, packing, administration, etc. Each year, some 100 people participate in work training at Outline.

Jette Madsen and Lars Bech work as supervisors and are proud of the department's contribution.

"Being able to help people progress in their development is very valuable and we are proud to be able to achieve this together with our Plus department," says Jette Madsen at Outline Plus.

2011	31	100
Outline Plus initiated	people concurrently train work tasks	people participate annually

Employeeship, leadership and the right skills

All of Inwido's business units have a common need. Their need for the right skills. As a group, Inwido contributes structured processes for developing our employees and identifying talented individuals.

Machines are good and well, but employees and managers are who determine whether or not Inwido's business units will succeed. Digitalization, new design trends and energy efficiency needs affect employees' everyday lives. To ensure that all of the business units work with competence in a structured manner, Inwido contributes processes and insights on personnel matters, from recruitment and introduction to development and exit processes. The ambition is for the Inwido business units to build robust employer brands with strong corporate cultures and motivated employees who are proud of their employer. From this derives the energy that in turn helps bring success.

Continuous development in leadership and teamwork

To succeed, Inwido's leaders must convey values and operational targets to their colleagues. Accordingly, Inwido attaches great importance to identifying and developing talented leaders within the Group. Since 2012, we have conducted regular management audits, in which we look at competence development, employee

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HOW OUR HR PROCESSES ARE GOVERNED

Surveys

Inwido conducts surveys of employees' views on credibility, respect, fairness, pride and camerederie, from both an organizational and leadership perspective.

Assessments

Every two years, in conjunction with succession and competence planning, a review is performed of the business units' management teams from the competence perspective, this is known as a management audit. Similar processes are carried out locally on an ongoing basis.

Training

Through a Group-wide management development programme and an introduction programme for the most senior executives, we ensure consensus on development and leadership within the business units. Leadership assessments are also conducted at various levels locally.

Checks

The Inwido Group ascertains and compiles statistics on accidents, incidents and sick-leave in all business units. The statistics are followed-up quarterly. We also measure the proportion of employees who have attended development talks at least once annually.

Guidance

Everyone in the Group is to acquaint themselves with, and adhere to, Inwido's Code of Conduct for employees. Additional guidelines that we follow internally can be found in our policies for Health, Safety, Equality, Development talk and Work-Environment. Introduction programmes are conducted locally and at Group level for employees and executives. E-learning is arranged for employees in, for example, IT security, GDPR and the Code of Conduct.

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development and future management needs from a Group perspective. We continuously map and analyze the Group's future competence needs and conduct leadership training, both locally and at the Group level. All of this is done so that business unit managers can, in turn, develop their employees in the direction most needed.

In 2019, a programme was developed for the development of Managing Directors within the Group, with a pilot programme being conducted in 2019 ahead of the planned launch in 2020. With 28 business units in the Group, attracting and developing talented potential Managing Directors with suitable capabilities in, for example, collaboration, leadership, business acumen, marketing and finance is crucial, as is having a clear plan for succession among the Managing Directors. To further support the Group's senior executives, one-day conferences between the Managing Directors will be launched during 2020.

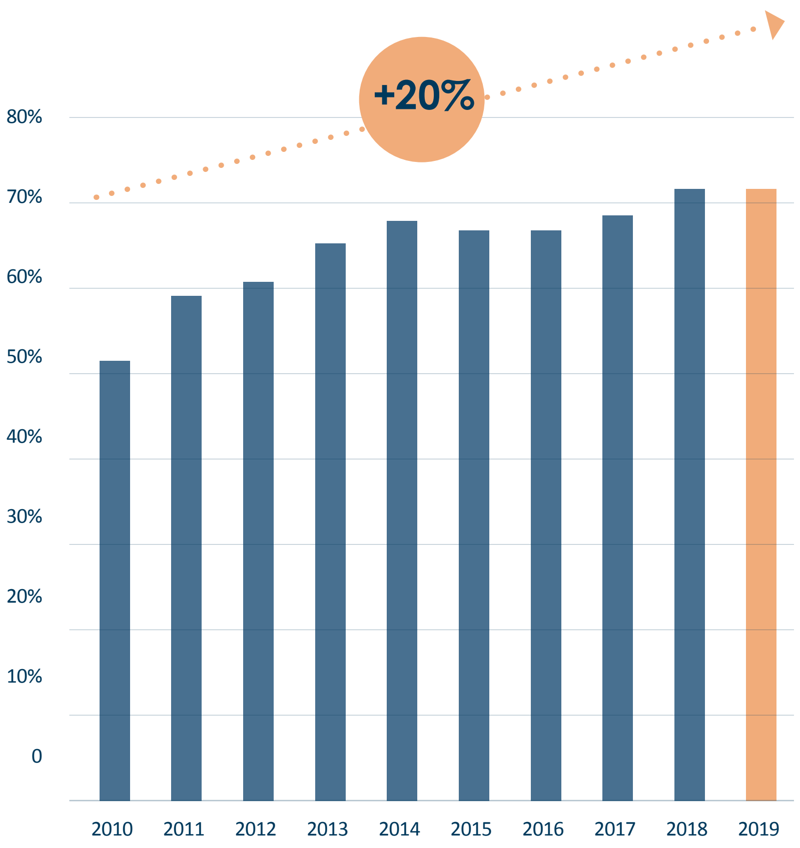
Also during 2020, Inwido will conduct further training and e-learning courses on the Codes of conduct, security, GDPR, etc.

Inwido also has an independent whistleblower function, to which incidents can be reported anonymously.

Employee surveys – a force for development

Within the Inwido Group, employee surveys are an invaluable measure of the "mood" of the business units. Issues of safety and health are particularly prioritized, and we strive to ensure that the business units maintain an equilibrium between men and women in leading positions. The employee survey is carried out annually throughout the Group with the overall objective of reaching a KPI of 75 percent. The November 2019 survey showed a strong positive trend on many levels, including an increase in the leadership and confidence index from 68 percent in the previous survey to 71 percent. Among the employees, 75 percent think it's a great place to work, 73 percent are proud of their work and 74 percent like their colleagues. The proportion of employees responding to the survey also increased, amounting to 85 percent. As the graph shows, the trend has moved steadily in a positive direction for the past ten years.

LEADERSHIP AND CONFIDENCE INDEX



71%
Average confidence index

70%
have confidence in management

73%
are proud of their work

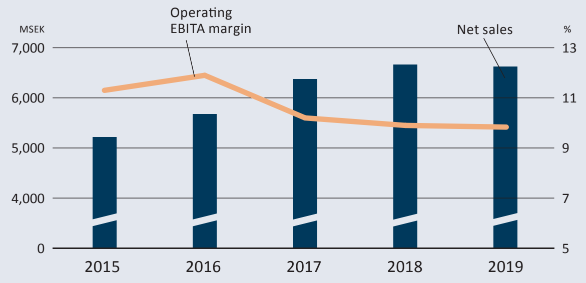
74%
like their colleagues

Five-year summary

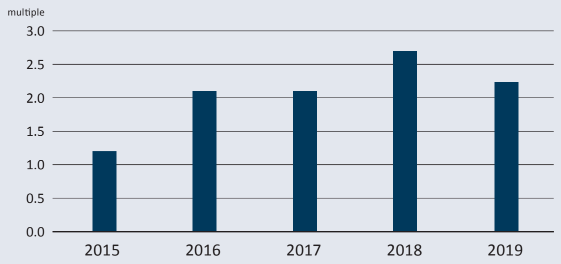
SEK million (unless otherwise stated)	2015	2016	2017	2018	2019	2019*
Income measures						
Net sales	5,220	5,672	6,371	6,667	6,631	6,631
Gross profit	1,283	1,587	1,646	1,712	1,694	1,686
EBITDA	608	791	723	781	870	780
Operating EBITDA	704	801	794	797	876	786
EBITA	480	664	535	635	621	609
Operating EBITA	589	673	649	657	646	634
Operating profit (EBIT)	460	656	521	618	601	590
Margin measures						
Gross margin, %	24.6	28.0	25.8	25.7	25.5	25.4
EBITDA margin, %	11.6	13.9	11.3	11.7	13.1	11.8
Operating EBITDA margin, %	13.5	14.1	12.5	12.0	13.2	11.9
EBITA margin, %	9.2	11.7	8.4	9.5	9.4	9.2
Operating EBITA margin, %	11.3	11.9	10.2	9.9	9.7	9.6
Operating margin (EBIT), %	8.8	11.6	8.2	9.3	9.1	8.9
Capital structure						
Net debt	877	1,667	1,669	2,141	2,075	1,711
Net debt/operating EBITDA, multiple	1.2	2.1	2.1	2.7	2.4	2.2
Net debt/equity ratio, multiple	0.3	0.6	0.5	0.6	0.5	0.4
Interest coverage ratio, multiple	9.9	10.6	8.3	9.2	8.9	10.5
Equity	2,891	3,013	3,167	3,501	3,776	3,805
Equity/assets ratio, %	56	48	48	49	51	53
Operating capital	3,768	4,680	4,836	5,642	5,850	5,516
Return measures						
Return on equity, %	10.4	14.7	9.7	13.2	11.9	11.8
Return on operating capital, %	12.0	15.5	11.0	11.8	9.9	10.3
Employees						
Average number of employees	3,370	3,741	4,361	4,455	4,356	4,356
Share data						
Earnings per share, before dilution, SEK	5.10	7.38	5.02	7.47	7.48	7.48
Earnings per share, after dilution, SEK	5.10	7.37	5.01	7.45	7.48	7.48
Earnings per share, before dilution, SEK (non-IFRS)	na	na	6.88	8.12	8.16	8.16
Earnings per share, after dilution, SEK (non-IFRS)	na	na	6.87	8.11	8.16	8.16
Shareholders' equity per share before dilution, SEK	49.87	50.44	52.92	60.31	65.13	65.64
Shareholders' equity per share after dilution, SEK	49.87	50.35	52.82	60.20	65.13	65.64
Cash flow per share, before dilution, SEK	8.96	8.43	10.20	7.49	15.96	15.96
Cash flow per share, after dilution, SEK	8.96	8.42	10.19	7.47	15.96	15.96
Number of shares before dilution, thousands	57,968	57,968	57,968	57,968	57,968	57,968
Number of shares after dilution, thousands	57,968	58,071	58,071	58,071	57,968	57,968
Average number of shares, thousands	57,968	57,968	57,968	57,968	57,968	57,968

*Excluding the effect of IFRS16

Net sales and operating EBITA margin

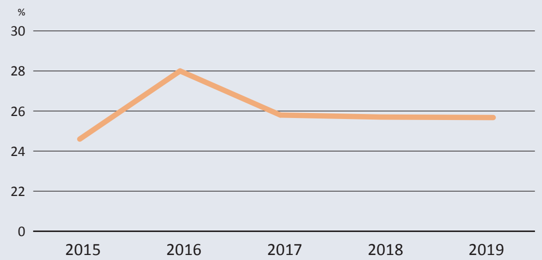


Net debt/operating EBITDA

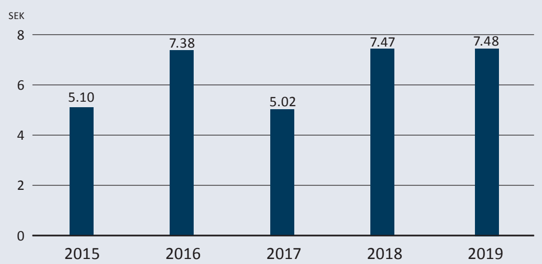


Exklusive IFRS 16

Gross margin



Earnings per share before dilution



Calculation of alternative key ratios not defined by IFRS

Income measures

Group, SEKm	**2019**	**2018**
Operating profit (EBIT)	601	618
Depreciation/amortization and impairment	268	163
Items affecting comparability, other items	7	16
Operating EBITDA	**876**	**797**
Gross profit	1,694	1,712
Items affecting comparability, depreciation/ amortization and other items	25	22
Operating gross profit	**1,718**	**1,734**
Operating profit (EBIT)	601	618
Depreciation/amortization of acquisition-related intangible assets	20	18
EBITA	**621**	**635**
Items affecting comparability, depreciation/amortization and other items	25	22
Operating EBITA	**646**	**657**
Items affecting comparability	**-25**	**-22**
Amortization/depreciation	-18	-6
Other items	-7	-16

Capital structure

Group, SEKm	**2019**	**2018**
Cash and equivalents	-243	-165
Other interest-bearing assets	-18	-18
Interest-bearing liabilities, non-current	2,212	2,199
Interest-bearing liabilities, current	123	125
Net debt	**2,075**	**2,141**
Total assets	7,471	7,153
Cash and equivalents	-243	-165
Other interest-bearing assets	-18	-18
Non-interest-bearing provisions and liabilities	-1,360	-1,328
Operating capital	**5,850**	**5,642**

Share data

Group, SEKm	**2019**	**2018**
Profit after tax attributable to Parent Company shareholders	433	433
Items affecting comparability after tax	20	20
Impairment of goodwill, amortization and impairment of other intangible assets from company acquisitions	20	18
Adjustments	0	0
Total	**473**	**471**
Number of shares	57,967,528	57,967,528
Earnings per share (non-IFRS) SEK	**8.16**	**8.12**

The Inwido share

Sales and trading

The share's ticker symbol is INWI and the ISIN code is SE0006220018. During 2019, a total of approximately 51.3 million shares were traded at a value of approximately SEK 3,055 million on the Nasdaq Stockholm. An average of 206,138 shares was traded per trading day, which corresponds to a value of slightly more than SEK 12 million. During the period, an average of 728 trades were carried out per trading day.

Share capital

At the end of 2019, Inwido's share capital amounted to SEK 231,870,112, distributed between 57,967,528 shares with a par value of SEK 4 per share. All shares carry equal voting rights and an equal share in the Company's profit and capital.

Ownership structure

At year-end, Inwido had 10,203 shareholders. The largest single shareholder was Fjärde AP-fonden, whose total share ownership amounted to 9.78 percent of the capital and votes in the Company. The ten largest shareholders accounted for about 54 percent of the capital and votes. Foreign shareholders' ownership totalled approximately 55 percent.

Dividend

Inwido's long-term aim is to pay its shareholders an annual dividend that corresponds to approximately 50 percent of net profit. However, Inwido's financial status in relation to the target, cash flow and future prospects shall be taken into consideration. The Board of Directors of Inwido AB has decided to withdraw the previously communicated dividend proposal to the Annual General Meeting 2020 of SEK 3.50 per share. The decision has been made despite the fact that Inwido's financial position is strong and does not reflect any change in Inwido's dividend policy or future dividend ambitions.

The background to the decision is the considerable uncertainty that exists as a result of the effects of the spread of the Covid-19 virus. At present, it is impossible to assess how long-lasting or serious the current situation and its effects will be. The Board of Directors motivates this decision by concluding that it is important that Inwido's financial position is as strong as possible ahead of potential future challenges and opportunities. It is therefore the Board's opinion that the dividend proposal, communicated in the year-end report 2019, under current circumstances, is no longer justified as Inwido may need increased financial resilience in the future. The Board of Directors has resolved to propose a dividend of SEK 0 per share to the Annual General Meeting on May 5.

Share price performance

The closing rate for Inwido's share on 31 December 2019 was SEK 72.10, giving a market capitalization of approximately SEK 4,179 million. The average share price during the period was SEK 59.70. Over 2019, the share price rose by 29 percent. Over the same period, the OMX Stockholm PI rose by 29 percent.

Distribution of shareholdings between private individuals and legal entities

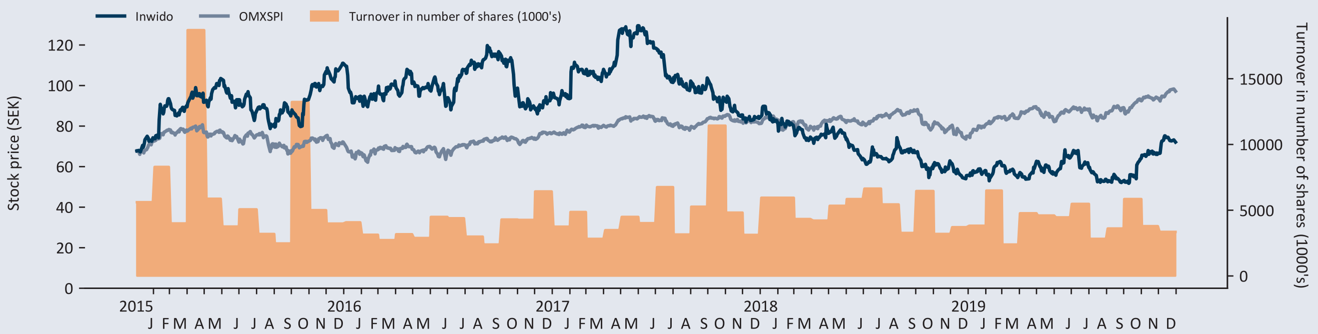
Shareholders as of 31 December 2019	Number of shareholders	Shareholders (%)	Holding	Holding (%)	Votes	Votes (%)
Physical persons	9,473	92.85%	5,807,020	10.02%	5,807,020	10.02%
of whom, domiciled in Sweden	9,412	92.25%	5,759,634	9.94%	5,759,634	9.94%
Legal entities	730	7.15%	52,160,508	89.98%	52,160,508	89.98%
of whom, domiciled in Sweden	318	3.12%	20,455,182	35.29%	20,455,182	35.29%
Total	**10,203**	**100.00%**	**57,967,528**	**100.00%**	**57,967,528**	**100.00%**
of whom, domiciled in Sweden	9,730	95.36%	26,214,816	45.22%	26,214,816	45.22%

Owner distribution Swedish/foreign owners

Shareholders as of 31 December 2019	Number of shareholders	Shareholders (%)	Holding	Holding (%)	Votes	Votes (%)
Resident in Sweden	9,730	95.36%	26,214,816	45.22%	26,214,816	45.22%
Rest of the Nordic region	244	2.39%	2,504,775	4.32%	2,504,775	4.32%
Other parts of Europe (excl. Sweden and Nordic Region)	159	1.56%	17,700,742	30.54%	17,700,742	30.54%
USA	46	0.45%	11,268,609	19.44%	11,268,609	19.44%
Rest of world	24	0.24%	278,586	0.48%	278,586	0.48%
Total	**10,203**	**100.00%**	**57,967,528**	**100.00%**	**57,967,528**	**100.00%**

Source: Euroclear

Share price & turnover (2015 - 2019)



Source: Modular Finance

Facts about the Inwido share

Name:	Inwido AB (publ)	Beta (3-year period):	1.29
Exchange:	Nasdaq Stockholm	Currency:	SEK
Marketplace:	XSTO	Listing:	26 Sep 2014
Segment:	Mid Cap	Price on 31 December 2019:	72.10
ISIN code:	SE0006220018	Highest for the year, 2019 (11 Dec):	75.20
Symbol:	INWI	Lowest for the year, 2019 (9 Oct):	51.75

Source: Nasdaq, Infront Analytics

Data per share

	2019	2018	2017	2016	2015
Earnings per share, before dilution, SEK	7.48	7.47	5.02	7.38	5.10
Earnings per share, after dilution, SEK	7.48	7.45	5.01	7.37	5.10
Dividend per share [1)]	-	2.50	3.50	3.50	2.50
Share price on 31 December	72.10	55.60	83.75	94.50	111.00
Direct return, % [2)]	-	4.5%	4.2%	3.7%	2.3%
Shareholders’ equity per share before dilution, SEK	65.13	60.31	52.92	50.44	49.87
Shareholders’ equity per share after dilution, SEK	65.13	60.20	52.82	50.35	49.87

1) Proposed dividend for 2020
2) Dividend/share price at year-end

Source: Inwido and Nasdaq Stockholm

Largest shareholders

Name	Number of shares	Holding (%)	Votes (%)
Bny Mellon SA/NV (former BNY), W8IMY	6,720,544	11.59 %	11.59 %
Fjärde AP fonden	5,667,287	9.78 %	9.78 %
Swedbank Robur fonder	4,352,539	7.51 %	7.51 %
State street bank and trust co, W9	4,035,432	6.96 %	6.96 %
Handelsbanken fonder	2,734,898	4.72 %	4.72 %
Brown Brothers Harriman/Lux, W8IMY WPR	2,510,408	4.33 %	4.33 %
Bny Mellon NA (former Mellon), w9	1,576,636	2.72 %	2.72 %
Verdipapirfondet Holberg Norden	1,400,000	2.42 %	2.42 %
Cbny-DFA-Int SML Cap V	1,331,885	2.30 %	2.30 %
Försäkringsaktiebolaget, Avanza Pension	990,152	1.71 %	1.71 %
Subtotal	**31,319,781**	**54.03 %**	**54.03 %**
Total, other shareholders	26,647,747	45.97 %	45.97 %
Total	**57,967,528**	**100.00 %**	**100.00 %**

Ownership structure, size categories

Holdings as of 31 December 2019	Number of shareholders	Number of shares	Holding (%)	Votes (%)
1 – 500	7,894	1,005,768	1.74%	1.74%
501 – 1,000	984	810,794	1.40%	1.40%
1,001 – 5,000	927	2,163,773	3.73%	3.73%
5,001 – 10,000	152	1,175,689	2.03%	2.03%
10,001 – 15,000	42	521,553	0.90%	0.90%
15,001 – 20,000	28	503,070	0.87%	0.87%
20,001 –	175	51,791,573	89.35%	89.35%
Total	**10,203**	**57,967,528**	**100.00%**	**100.00%**

Stable earnings and strong cash flow

For Inwido, its management and the Group's 28 business units, 2019 was a stable year that inspired confidence. A year in which the decentralized and customer-focused governance model Simplify gained a solid foothold, providing opportunities for the next stage. I am pleased that, despite a somewhat challenging market, Inwido added another successful year to the record. A strengthened margin in the final three quarters of the year, sharply reduced net debt and a strong cash flow testify to the capacity, both of the business model and the Group, to generate value for stakeholders.

In summing up the year, there are some strategically important matters I would like to comment on in particular.

In 2019, the decentralized and customer-focused Simplify governance model was implemented. The results met my expectations. Decentralizing responsibility and mandates to the Group's unique business units, with local responsibility for earnings and a strong focus on customers, has generated results and released energy, leaving a lasting imprint. For a group operating in a fragmented and local market, with local and market-specific Inwido units, enabling them to take full command of their business is the right strategy. It is also invigorating to see how Inwido's Group Management and support functions effectively and quickly contribute to managing, challenging and developing Northern Europe's leading window and door companies.

With Inwido's experience of more than 50 acquisitions and with reduced net debt, the Group's efforts in-line with its acquisition strategy are continuing. The European window market is fragmented and, in this landscape, Inwido has proven experience of finding and realizing value-generating acquisitions, with a long-term perspective.

Digitalization drives development

In the business units that Inwido owns and develops, there is a desire to achieve success and growth. In pace with the development of an increasingly digitalized world, new ways of facilitating and streamlining the value chain emerge, both internally and out towards customers. Digitalization entails opportunities for expansion, while customers now expect e-commerce to function smoothly and simply. The e-Commerce business unit continued to grow in 2019, accounting for 9 percent of consolidated sales. e-commerce is a priority growth area in which Inwido is focusing.

Sustainability gains strenght

With increasing focus on sustainability and energy efficiency, I feel confident in the Inwido Group's offering. Our business units create products that help increase sustainability and comfort and that bring significant energy savings. But sustainability is about much more than that. Inwido's motto of "Giving more than we take" reflects a genuine assumption of responsibility, also for employees, and, not least, for the communities in which most of the Group's operations exist. All of Inwido's business units have drawn up ambitious sustainability plans and pursue their sustainability efforts locally on an ongoing basis. I am also pleased that the annual employee survey, conducted in all of the companies, shows a ten-year all-time high in the "Leadership and Trust Index". This attests to sustainability work also being about offering attractive workplaces in which people can develop. Credit is due to Inwido's leadership for this success.

Finally, I feel confident that Inwido will continue to grow with good profitability and the ability to generate benefits and value for stakeholders. I would like to thank Inwido's Board of Directors, the management and all of the employees for their tremendous efforts over the year. As is well-known, the key to good corporate governance and a well-managed company is access to qualified, high-performing and loyal people. Inwido has this in abundance, as well as good order.

It will be a pleasure to work with the Board of Directors, the management team and all of the dedicated employees in contributing to Inwido's development in a new and exciting decade.

Malmö, March 2020

Georg Brunstam
Chairman of the Board

"It will be a pleasure to work with the Board of Directors, the management and all of the dedicated employees in contributing to Inwido's development in a new and exciting decade.

Corporate Governance Report

Good corporate governance forms the basis for ensuring for shareholders that Inwido is managed as sustainably, responsibly and efficiently as possible. In turn, this improves confidence in the Company in the capital market and among the general public – confidence that is essential if we are to have the liberty to realize our strategies so that we can generate value over the long term.

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Operations

Inwido acquires, owns and develops companies that improve people's everyday lives indoors with various products and services. Today, Inwido is Europe's largest windows group and a natural home for the region's strongest companies in the areas of comfort, indoor climate and safety. In 2019, Inwido achieved sales of approximately SEK 6.6 billion and an operating EBITA margin of 9.7 percent. The Group has some 4,400 employees in total, with operations in Denmark, Estonia, Finland, Ireland, Lithuania, Norway, Poland, Romania, the UK, Sweden and Germany.

Governance principles

Inwido AB (publ) ("Inwido" or "the Company") is a Swedish public company whose shares are listed on the Nasdaq Stockholm exchange. The governance of Inwido is based on the Company's Articles of Association, the Swedish Companies Act, other relevant Swedish and foreign regulations and legislation, and internal guidelines. Inwido's governance is also based on Nasdaq Stockholm's regulations for issuers, as well as the Swedish Corporate Governance Code ("the Code"). Inwido followed the Code in all respects in 2019.

This Corporate Governance Report has been prepared in accordance with the Annual Accounts Act and the Code. Inwido's auditors have reviewed the report and an opinion from the auditors has been included in this. Corporate Governance Reports and other information on corporate governance are available from Inwido's website: www.inwido.com.

Inwido strives to conduct its operations in a sustainable, responsible and efficient manner that generates value for our customers, shareholders, employees, suppliers, local communities and other stakeholders. Alongside the financial goals, the Company's strategy supports this focus. The Company's strategy, financial goals and sustainability ambitions are described in the 2019 Annual Report.

The highest decision-making body in the Company is the General Meeting, which normally convenes once a year in the form of the Annual General Meeting, although, under certain conditions, it may also convene as an Extraordinary General Meeting. Although the Company prepares the Annual General Meeting, shareholders can influence and propose items for the Meeting's agenda.

Share capital and shareholders

Inwido's shares have been traded on the Nasdaq Stockholm exchange since September 2014. At the end of 2019, share capital in Inwido amounted to SEK 231,870,112, distributed between 57,967,528 shares of a single class. The shares have a par value of SEK 4 each. Each share entitles the holder to one vote and equal entitlement to participation in the Company's assets and earnings. On 31 December 2019, there were 10,203 shareholders. Of the total number of shares, about 55 percent were owned by foreign shareholders. The Fourth AP Fund was the largest shareholder, with about 9.8 percent of the total number of shares. See pages 42-43 of the annual report for further information about owners and share capital.

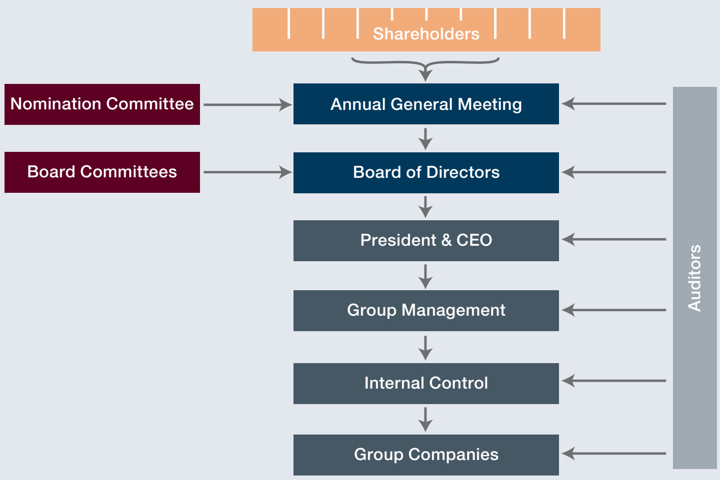
Insider trading and registration

Inwido has ambitious objectives in terms of proper ethical behaviour. Inwido's Board of Directors has adopted an insider policy as part of efforts to maintain a high level of ethics and to safeguard that Inwido maintains a good reputation in the eyes of the general public and the capital market. The policy aims to reduce the risk of insider trading and other illegal acts and to create conditions for compliance with applicable rules.

Inwido's corporate governance structure

Shareholders' influence in the Company is exercised at the General Meeting, which is the Company's highest decision-making body. At the General Meeting, each shareholder is entitled to attend, in person or by proxy, and to vote in accordance with his/her shareholding. At the Annual General Meeting, which is the regular General Meeting held annually, the shareholders elect the Board members, the Chairman of the Board and the auditors, and determine their fees. The Annual General Meeting resolves whether to adopt the income statement and balance sheet, to approve the distribution of profits and to discharge the Board members and the President and CEO from liability. The Annual General Meetings also decides on the principles for the Nomination Committee, as well as on principles for remuneration and other terms of employment for

Inwido's Corporate Governance Report



Major external regulations

- Swedish Companies Act
- Swedish Annual Accounts Act
- Swedish and international accounting legislation
- The Nasdaq Stockholm exchange's regulations for issuers
- Swedish Code of Corporate Governance (www.bolagsstyrning.se)

Key internal regulations/governance instruments

- Articles of Association
- Formal work plan for the Board of Directors
- Instructions for the CEO of Inwido AB and for the individual companies, instructions for the Audit Committee, Remuneration Committee and for financial reporting
- Code of conduct for employees and business partners
- Equality policy
- Finance policy
- Sustainability compass
- Insider policy
- Recruitment policy
- Business Continuity Plan
- IT policy
- Communication policy
- Processes for internal control and risk management
- Other control instruments, policies, manuals and recommendations

the President and CEO and other senior executives. The Annual General Meeting or Extraordinary General Meeting may also resolve to change the Articles of Association, increase or reduce the share capital, etc. Annual General Meetings are convened through a notice published in the Official Swedish Gazette (Post– och Inrikes Tidningar) and on the Company's website. The fact that an Annual General Meeting has been convened will be published in Swedish national daily newspaper Dagens Industri.

On behalf of the shareholders, the Board is tasked with administering the Company's affairs in the interests of the Company and all of its shareholders.

The Chairman of the Board bears the specific responsibility for the work of the Board being well organized and efficient. The Audit Committee and Remuneration Committee are appointed by the Board of Directors. The Company's auditor is appointed by the General Meeting to audit the Company's annual report and accounts, as well as the administration of the Company by the Board of Directors and the President and CEO. The auditor reports to the shareholders at the Annual General Meeting by means of the audit report. The Board of Directors establishes a formal work plan for the Board and instructions for the President and CEO. The Board appoints the President and CEO, who is to oversee the ongoing management of the Company. In turn, the President and CEO appoints the Group Management team.

Nomination Committee

Each year, a Nomination Committee shall be appointed at the initiative of the Chairman, with the rules governing the composition of the Committee being adopted by the Annual General Meeting. The principle is that the Nomination Committee shall comprise representatives from the Company's largest shareholders and that it should consist of four members. The members of the Nomination Committee shall include one representative apiece for each of the three largest shareholders in terms of voting rights listed in the share register maintained by Euroclear Sweden as per 31 August of the year preceding the year in which the Annual General Meeting is held, plus the Chairman of the Board, who should also convene the Nomination Committee for its first meeting. The member representing the largest shareholder in terms of voting rights shall be appointed chairman of the Nomination Committee.

If, earlier than two months prior to the Annual General Meeting, one or more shareholders having nominated members of the Nomination Committee is no longer one of the three largest shareholders in terms of number of votes, members appointed by these shareholders shall make their seats available and the shareholder or shareholders that are among the three largest shareholders in terms of number of votes shall be entitled to appoint a representative each. In the event that a member steps down from the Nomination Committee before its work has been completed and the Nomination Committee finds it desirable that a replacement be appointed, that replacement shall be appointed by the same shareholder or, if that shareholder is no longer among the largest in terms of number of votes, the replacement should be appointed by the next shareholder in line in terms of size. Changes in the composition of the Nomination Committee are to be announced immediately.

Each year, a survey is conducted among the Board members regarding the work of the Board of Directors, its composition, qualifications, experience and efficacy. The survey forms the basis for the Committee's assessment of whether the Board ought to be strengthened with additional expertise or if there are other reasons to change the composition of the Board. Normally, the Nomination Committee also meets the President and CEO and sometimes individual Board members too. Proposed new Board members are interviewed by the Nomination Committee. In particular, the Nomination Committee shall take into account the requirement of diversity and breadth of the Board and to strive for balance in terms of gender. The Nomination Committee assesses the composition of the Board with respect to its independence, taking into account all proposals regarding the composition of the Board of Directors submitted to the committee that may have been received from other shareholders. The names of the Nomination Committee representatives and the shareholders they represent are to be announced no later than six months prior to the Annual General Meeting. Based on the ownership structure as of 31 August 2019, the three largest shareholders in Inwido were asked to participate in the nomination process for 2020. In addition to the Chairman of the Board, Thomas Wuolikainen from Fjärde AP-fonden (chairman of the Nomination Committee), Anna Sundberg from Handelsbanken Fonder and Bo Lundgren from Swedbank Robur Fonder were appointed.

The Nomination Committee's proposals are to be presented in the notice to attend the Annual General Meeting and on Inwido's website. In connection with this, the Nomination Committee shall provide, on the Company's website, a reasoned opinion on the proposed composition of the Board with regard to the provisions in the Code regarding the composition of the Board of Directors. In particular, the proposal must be justified in view of the requirement that a balance should be sought with regard to gender. The opinion shall also contain a brief account of how the Nomination Committee has conducted its work and of the equal opportunities policy that the Committee has applied in preparing its proposal.

The Nomination Committee shall propose to the Annual General Meeting a chairman of the Meeting, the number of Board members, the Board of Directors, the Chairman of the Board, the auditor, Board remuneration (divided between the Chairman and the other members, as well as remuneration for committee work), auditor's fees and, to the extent considered necessary, amendments to the instructions for the Nomination Committee. The Nomination Committee shall submit its reasoned opinion on its proposals to the Annual General Meeting. Shareholders wishing to submit proposals to the Nomination Committee may send these by e-mail to ir@inwido.com no later than two months prior to the meeting. The Nomination Committee's proposals are published in conjunction with or prior to the notice of the Annual General Meeting. The members receive no remuneration for their work on the Nomination Committee.

Annual General Meeting for the 2018 financial year

The Annual General Meeting for the 2018 financial year took place on 3 May 2019 in Malmö, Sweden. At the Annual General Meeting, 46 percent of the total number of shares and votes was represented in person or by proxy. The Meeting was also attended by the Board of Directors, the external auditors and members of Group Management. The Chairman of the Board, Georg Brunstam, was elected Chairman of the Meeting.

The Annual General Meeting approved the presented income statement and balance sheet, as well as the consolidated statement of comprehensive income and statement of financial position. The Company's retained earnings and profit for the year were carried forward. The Meeting discharged the Board and CEO from responsibility.

In addition, the following principal decisions were made:

• Election of Board members and auditors

Georg Brunstam, Benny Ernstson, Henriette Schütze and Anders Wassberg were re-elected as Board members. Astrid Simonsen Joos had declined re-election. Georg Brunstam was re-elected as Chairman of the Board. Authorized Public Accountant Thomas Forslund, KPMG, will be the auditor in charge and Inwido's current authorized deputy auditor, Authorized Public Accountant Linda Bengtsson, KPMG, will be the cosigning auditor.

• Fees

Fees will be paid to the Board in the amount of SEK 275,000 to each Board member not employed by the Company and SEK 580,000 to the Chairman of the Board. It was decided that the special fee of SEK 50,000 for committee work would be paid to each member of the Audit Committee, SEK 130,000 to the chairman of the Audit Committee and SEK 25,000 to each member and the chairman of the Remuneration Committee.

• Dividend

In accordance with the proposal by the Board of Directors and the President and CEO, the Meeting approved a dividend of SEK 2.50 per share.

• Guidelines for remuneration of senior executives

In accordance with the Board's proposal, the Meeting adopted guidelines on remuneration to senior executives that primarily entail the following. Remuneration and terms for senior executives shall be based on local market conditions and consist of a balanced mix of fixed salary, variable compensation, pension benefits, other benefits and terms of dismissal. Variable remuneration shall be based on performance in relation to set targets. Variable cash remuneration shall be maximized and may not exceed 50 percent of fixed annual salary. Variable remuneration may also be paid in the form of long-term incentive plans. Pension benefits shall be in the form defined contribution plans. With reservation for mandatory national regulations, the retirement age for the President and CEO and other senior executives shall be 65 years. Combined, fixed salary during the period of notice and severance pay shall not exceed an amount equivalent to fixed salary for 12 months; for the President and CEO, a period of 18 months applies. The Board of Directors shall have the right to deviate from these guidelines in individual cases if specific reasons motivate this.

• Guidelines for authorization for the Board of Directors to implement new share issues

In accordance with the proposal by the Board of Directors, the Meeting resolved to authorize the

Board to decide to issue new shares in the Company in accordance with the following terms:

1. The authorization may be exercised on one or more occasions but, at the latest, prior to the 2020 Annual General Meeting.
2. A total of at most 5,796,752 shares may be issued, corresponding to 10 percent of the Company's share capital.
3. Shares may be issued with or without deviating from the preferential rights of existing shareholders.
4. Shares may be issued for cash payment, set-off or payment in kind.
5. The issue price shall, where deviating from the from the preferential rights of existing shareholders, be determined on market terms. The Board of Directors shall be entitled to determine other terms for the issue.

The purpose of the above authorization and the reason for the deviation from the preferential rights of existing shareholders is to strengthen, through cash payment, set-off or payment in kind, the Company's opportunities to implement or finance company acquisitions, or, in connection with this, to strengthen the Company's capital base. The Board of Directors, or whoever the Board appoints, is authorized to make the minor adjustments to the resolution of the Annual General Meeting that may prove necessary in connection with registration with the Swedish Companies Registration Office.

Annual General Meeting for the 2019 financial year

Inwido's Annual General Meeting for the 2019 financial yearwill be held in Malmö on Friday, 5 May 2020, at Malmö börshus (see also page 103).

Composition of the Board of Directors

The Board of Directors of Inwido shall consist of three to ten members. The trade unions are entitled to appoint two members with voting rights and two deputies. The President and CEO is not a member of the Board but participates in all Board meetings on a co-opted basis. Other officers in the Group participate in Board meetings to present reports and to act as secretary. The 2019 Annual Report contains more information about the Board members.

Procedures and responsibilities of the Board

In addition to its statutory meeting, the Board of Directors shall hold three to six meetings per financial year. Additional meetings shall be held as necessary. Each year, the Board of Directors establishes written rules of procedure elucidating the responsibilities of the Board of Directors and governing the mutual division of labour between the Board and its committees including the role of the Chairman, the chain of command within the Board, the Board's meeting schedule, the convening of Board meetings, agendas and minutes, as well as the Board's work on accounting and auditing matters and financial reporting. The Board has also adopted a set of instructions for the President and CEO and other special policies. The Board continuously assesses the work of the President and CEO and the Board addresses this issue specifically once a year without senior management being present.

The responsibility of the Board includes monitoring the work of the President and CEO through the continuous review of operations over the year, safeguarding a structure for the appropriate management of Inwido's interests. The responsibility of the Board also includes determining strategies and objectives, preparing specific policies, making decisions on major acquisitions and divestments of operations, making decisions on other major investments, making decisions on investments and loans in accordance with the financial policy, issuing financial reports, evaluating operational management, as well as planning succession. The Board assures the quality of the financial reports by means of adopted control instruments and instructions to the President and CEO, and through its consideration of reports from the Audit Committee in the form of minutes and observations, as well recommendations and proposals for decisions and measures. The Board also safeguards the quality of the financial reports by addressing the appurtenant materials in detail during Board meetings. As part of its assurance of quality, the Board of Directors also meets the Company's auditor once a year without the attendance of the President and CEO or anyone else from senior management.

Role of the Chairman of the Board

The Chairman organizes and manages the work of the Board, ensuring that it is conducted in accordance with the Swedish Companies Act, other legislation and regulations, as well as the Board's internal control instruments. The Chairman monitors operations through ongoing contacts with the CEO and is responsible for ensuring that the other members of the Board receive satisfactory information and data on which to make decisions. The Chairman is responsible for ensuring that the Board members continuously update and deepen their knowledge of Inwido and that they receives the training otherwise necessary to be able to conduct their work efficiently. The Chairman of the Board shall ensure that the Board's duties and working methods are assessed annually and discussed with the Board members, and that the Nomination Committee is informed of the results, with the purpose of developing the Board of Directors' working methods and efficiency. Such an evaluation was carried out in 2019, primarily by means of a detailed questionnaire to the Board. The results of the evaluation were presented to the Nomination Committee, as well as for the Board of Directors in its entirety.

Work of the Board in 2019

Over the year, the Board held a total of 12 meetings. At the scheduled Board meetings, the President and CEO reported on the Group's earnings and financial position, including the outlook for the coming quarters. Beyond approving the annual and interim reports and adopting a business plan and associated financial plan, the following key issues were addressed by the Board of Directors during the year:

- Proposed dividend of SEK 2.50 per share
- Revision and adoption of the Company's policies
- Acquisitions
- Investments
- Risk assessment
- Product development
- Organization

The Board and its work in 2019

Name	Elected year	Independent[1]	Board meetings[2]	Audit Committee[3]	Remuneration Committee	Board fees in SEK thousands[4]
Chairman of the Board:						
– Georg Brunstam	2017	Yes/Yes	12/12	5/5	2/2	705
Board members:						
– Benny Ernstson	2004	Yes/Yes	12/12	—	—	260
– Anders Wassberg	2009	Yes/Yes	12/12	5/5	2/2	335
– Astrid Simonsen Joos	2017[5]	Yes/Yes	4/12	—	—	260
– Henriette Schütze	2018[6]	Yes/Yes	11/12	5/5	—	—
Employee representatives:						
– Tony Johansson	2016	—	12/12	—	—	—
– Robert Wernersson	2012	—	8/12	—	—	—

1) Refers to independence in relation to the Company, its management and independent in relation to major shareholders in the Company.
2) Of which, two Board meetings were held via correspondence.
3) Of which, one committee meeting was held via correspondence.
4) Including committee fees. Board fees relate to the period from the 2018 Annual General Meeting and until the 2019 Annual General Meeting.
5) Stepped down at the 2019 Annual General Meeting.
6) Elected at an Extraordinary General Meeting in January 2020.

Audit Committee

Inwido's Board of Directors includes an Audit Committee. It shall consist of at least three Board members appointed by the Board. The Committee has no decision-making authority and members are appointed annually by the Board of Directors at the statutory Board meeting or when a committee member must be replaced. The Committee members appointed in May 2019 were Georg Brunstam (chairman), Henriette Schütze and Anders Wassberg. The work of the Audit Committee is regulated by a special set of instructions adopted by the Board as part of its agenda. The Committee's work focuses on the quality and accuracy of the financial accounts and reports, efforts in internal financial control, the Group's adherence to applicable regulations and, where appropriate, transactions between the Group and related parties.

In addition, the audit committee maintains regular contact with the auditor for Inwido AB and the Group in order to engender an ongoing exchange of ideas and information between the Board and the auditor on audit issues. Furthermore, the Committee shall assess the auditor's work and set guidelines for the services, besides auditing, that Inwido may procure from its auditor.

The Audit Committee held five meetings in 2019. The meetings of the audit committee are minuted and reported verbally at Board meetings.
Each month, consolidated accounts are prepared and submitted to the Board and Group Management.

External financial information is provided regularly in the form of:

- Year-end and interim reports.
- Annual Report.
- Press releases about important items of news that are believed to affect the assessment of Inwido.
- Presentations for financial analysts, investors and the media on the dates on which of year-end and interim reports are published.
- Meetings with financial analysts and investors.

Remuneration Committee

Inwido's Board of Directors also includes a Remuneration Committee. It shall consist of two Board members appointed by the Board. The Chairman of the Board may chair the Remuneration Committee. Other members of the Remuneration Committee elected by the General Meeting shall be independent in relation to the Company and its senior management. In part, the Remuneration Committee has an advisory role and in part it prepares matters to be addressed and decided on by Inwido's Board of Directors. The Remuneration Committee operates under the rules of procedure adopted by the Board. The principal tasks of the Remuneration Committee are to prepare the Board's decisions regarding remuneration principles, remuneration and other terms of employment for company management, to monitor and assess programmes of variable remuneration for company management, and to monitor and assess the application of the guidelines for remuneration to senior executives determined by the Annual General Meeting, applicable remuneration structures and remuneration levels within Inwido.

Each year, at the statutory Board meeting, or when a committee member must be replaced, the Board appoints the committee members. The Committee members appointed in May 2019 were Georg Brunstam (Chairman) and Anders Wassberg. In 2019, the Remuneration Committee held two meetings. The meetings of the Remuneration Committee are minuted and reported verbally at Board meetings.

Group Management

The President and CEO leads operations in accordance with the Companies Act and within the parameters set by the Board. In consultation with the Chairman of the Board, the President and CEO prepares the data and materials the Board requires to make its decisions, presents matters and explains proposed decisions. The President and CEO is also responsible for Inwido's commercial, strategic and financial development, leading and coordinating daily operations in line with the Board's guidelines and decisions. The President and CEO also appoints the members of Group Management in consultation with the Chairman of the Board.

Group Management holds regular meetings led by the President and CEO. Representatives from Group Management meet with the management of each business unit at local management group meetings on a rolling basis.

External auditors

At the 2019 Annual General Meeting, authorized public accountant Thomas Forslund of the KPMG AB firm of auditors was elected as the Company's auditor for the period extending until the end of the following Annual General Meeting. The auditor maintains regular contact with the Chairman of the Board, the audit committee and Group Management. Inwido's auditor shall review the annual report and accounts, as well as the President and CEO's management work. The auditor works according to an audit plan that takes into account comments submitted by the Board via the audit committee. The auditor reports his findings to the Board. Reporting takes place partly during the audit, and ultimately in connection with the annual report being issued and approved. The auditor also participates in one Board meeting per year, where she outlines the audit process and her observations in an audit report.

Over the year, the auditor has also performed certain consulting assignments outside the scope of the audit – these have mainly involved advice on accounting matters.

The external audit is conducted in accordance with generally accepted accounting principles in Sweden. The auditing of documentation for the annual report for legal units outside Sweden is conducted in accordance with legal requirements and other applicable regulations in the relevant countries, in accordance with generally accepted accounting principles and accompanied by audit reports where so required by local legislation.

Internal audit

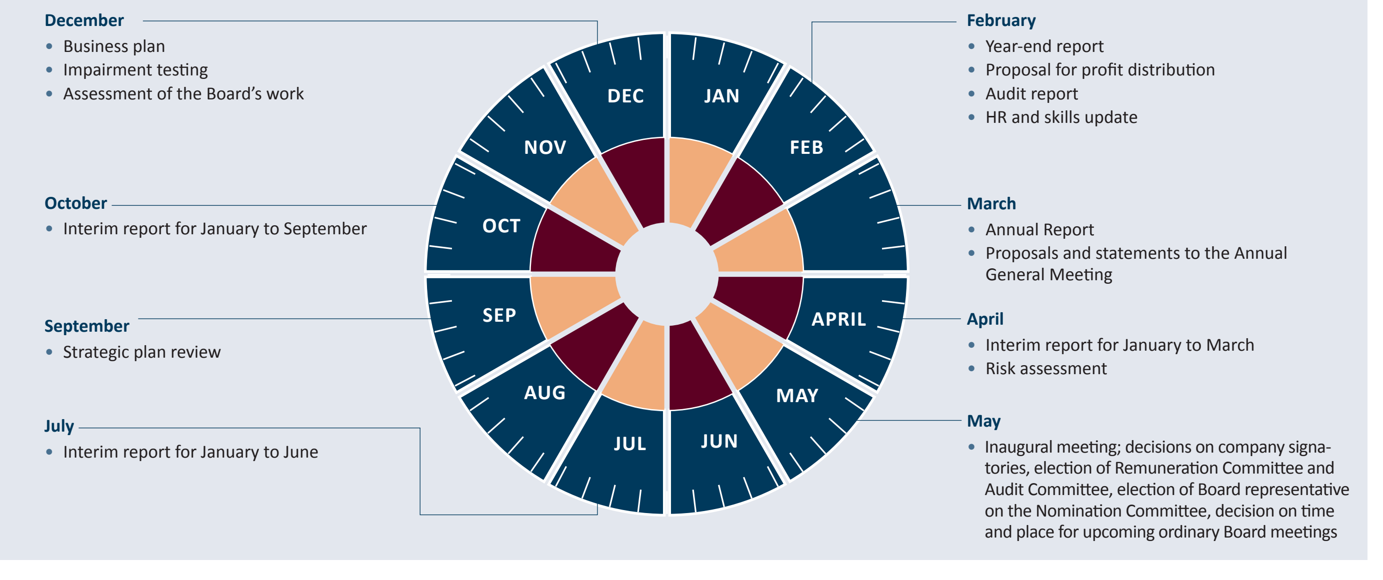
Inwido has developed systems for governance and internal control. Among other things, the central accounting unit performs an ongoing internal audit of the Group's companies. The Board of Directors and the Audit Committee follow up Inwido's assessment of internal control, including through contacts with Inwido's auditors, which perform annual audits of the internal control. Given the above, the Board has elected not to establish a specific internal audit unit.

Internal control of financial reporting

The responsibility of the Board and the President and CEO regarding internal control is regulated by the Swedish Companies Act. The Board's responsibility is also regulated in the Code. In accordance with the Code, the Board shall describe how the internal control of financial reporting is organized, which is carried out through the Corporate Governance Report.

The principal purpose of internal control is to ensure the achievement of the Company's targets for appropriate and efficient operations, reliable reporting and adherence to applicable legislation and regulations. Internal control relating to financial reporting serves to provide reasonable security with regard to the reliability of external financial reporting and to ensure that external financial reports are prepared in accordance with legislation and applicable accounting standards. This report on internal control has not been reviewed by the Company's auditors. The starting point for internal control process is the regulatory framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Board of Directors' work in 2019



Control environment

The Board bears the overall responsibility for internal control regarding financial reporting. To establish and maintain a functioning control environment, the Board has adopted a set of basic documents that have a bearing on financial reporting, including, in particular, the formal work plan for the Board and instructions for the President and CEO. In addition, the Board has appointed an Audit Committee whose principal task is to ensure that the established principles for financial reporting are complied with and that appropriate relations are maintained with the Company's auditors. The responsibility for maintaining an effective control environment and for ongoing internal control efforts regarding financial reportingis delegated to the President and CEO, who reports regularly to the Board of Directors in accordance with established procedures. In addition, reports are provided by the Company's auditors.

The internal control structure also builds on a management system based on Inwido's organization with clearly defined roles, areas of responsibility and delegated authority. Operational decisions are made at the Company level while decisions regarding strategy, overarching financial matters, acquisitions and major investments are made by Inwido's Board and Group Management. Control documents addressing accounting and financial reporting represent crucial components in the control environment with regard to financial reporting. These documents are updated regularly in connection with changes in accounting standards and legislation.

Risk assessment

The Group conducts continuous risk assessment to identify key risks relating to financial reporting. With regard to financial reporting, risk is primarily judged to involve significant errors in the accounts; for example when it comes to the reporting and valuation of assets, liabilities, revenues and expenses or other discrepancies. Fraud and losses through embezzlement represent another risk. Risk management is built into every process. Various methods are used to evaluate and limit risks and to ensure that the risks to which Inwido is exposed are managed in accordance with adopted policies, instructions and established monitoring procedures. These policies, instructions and procedures are intended to reduce possible risks and promote correct accounting, reporting and disclosure.

Control activities

The risks identified with regard to financial reporting are managed through the Company's control activities, such as authorization controls in IT systems and signature authentication. The control structure includes clear organizational roles that enable an efficient division of responsibilities for specific control activities serving to uncover or prevent the risk of errors arising in reports. Local controllers/finance managers participate in the assessment of their own reporting alongside the central controller function. The continuous analysis of financial reporting, like the analysis conducted at Group level, is highly important in ensuring that financial reports are free of material errors. The Group's finance function plays a key role in the internal control process and is responsible for ensuring that financial reports from each unit are submitted correct, complete and on time.

Information and communication

Inwido continually provides the market with information on the Group's development and financial position in relevant channels. Policies, guidelines and internal instructions regarding financial reporting ensure quality in external communication. The employees concerned are given access to and notified of regular updates and messages regarding changes in accounting principles, reporting requirements or other provision of information via the Group-wide intranet.

Follow-up

The President and CEO is responsible for internal control being organized and followed up in accordance with the guidelines adopted by the Board. The CEO is responsible for ensuring that independent and objective reviews are conducted with the aim of systematically assessing and proposing improvements to the Group's processes for governance, internal control and risk management. Financial control is exercised by the Group's finance function. Financial data are reported each month, along with a forecast for the coming month. Inwido's management reviews results on a monthly basis, analyzing deviations from the financial plan and the preceding year. Deviations are investigated and evaluated for possible internal control activities. The monthly accounts are also discussed with the management of each company. The Board receives monthly financial reports and follows up on financial reporting at each of its meetings.
The Board and Group Management review financial reporting ahead of the publication of the annual report and interim reports. The closing accounts for the period January-September, as well the year-end accounts are subject to a summary "review" by the Company's auditors. The Company's auditors present their observations to the Board. The auditors' duties also include monitoring internal control within the Group's subsidiaries on an annual basis.

Malmö, March 31 2020

The Board of Directors of Inwido AB (publ)

Auditor's report on the Corporate Governance Report

To the Annual General Meeting of Inwido AB (publ), corp. ID No. 556633-3828

Assignment and division of responsibilities

It is the Board of Directors that is responsible for the Corporate Governance Report for 2019 on pages 43-47 and for it having been prepared in accordance with the Annual Accounts Act.

Focus and scope of the review

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the Corporate Governance Report. This means that our examination of the Corporate Governance 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 me with sufficient basis for our opinions

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6, Section 6, 2nd paragraph, items 2-6 of the Annual Accounts Act and Chapter 7, Section 31, 2nd paragraph of the same act are consistent with the annual and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 31 2020

KPMG AB

Thomas Forslund
Authorized Public Accountant

Linda Bengtsson
Authorized Public Accountant

Board of Directors and auditor

Georg Brunstam
Chairman of the Board

Born: 1957
Education: Graduate Engineer
Member of the Board since: 2017
Other assignments: Chairman of the Board, HEXPOL AB (publ), Chairman of the Board, AAK AB (publ), Board member, Beckers Industrial Coatings Holding AB, Melker Schörling AB and Nibe Industrier AB (publ). Independent in relation to major shareholders.
Previous positions: President and CEO HEXPOL AB (publ), President and CEO Nolato AB (publ), Group management and BA President Trelleborg AB (publ)
Own holdings and holdings of related parties: 6,000 shares

Benny Ernstson
Board member

Born: 1949
Education: BA Business Administration, Lund University
Member of the Board since: 2004
Other assignments: Corporate consultant. Independent in relation to major shareholders.
Previous positions: President of Universal Hardwood Flooring, President and Business Area Manager for Tarkett AB, Business Area Manager for Nobia AB, divisional manager for Perstorp AB and LB Invest AB
Own holdings and holdings of related parties: 56,000 shares

Anders Wassberg
Board member

Born: 1965
Education: Graduate engineer, Chalmers University of Technology
Member of the Board since: 2009
Other assignments: President and CEO of Ballingslöv International AB, Chairman of the Board Kährs Holding AB, Chairman of the Board Svedbergs i Dalstorp AB (publ). Independent in relation to major shareholders.
Previous positions: President of AB Gustaf Kähr, President of Beijer Byggmaterial AB
Own holdings and holdings of related parties: 10,000 shares

Henriette Schütze
Board member

Born: 1968
Education: MBA Accounting and Auditing, Authorized Public Accountant in Denmark, EMBA
Member of the Board since: 2018
Other assignments: CFO of Gubi. Member of Dee4 Capital's Investment Advisory Committe. Independent in relation to major shareholders.
Previous positions: CFO Nordic Tankers, CFO Georg Jensen, CFO Cimber Sterling, VP DFDS A/S , VP ISS A/S, Manager Arthur Andersen
Own holdings and holdings of related parties: 1,750 shares

Christer Wahlquist
Board member

Born: 1971
Education: Graduate Engineer and MBA
Member of the Board since: 2020
Other assignments: President and CEO of Nolato AB
Previous positions: President of Nolato Medical, Head of Marketing and Sales at Nolato AB
Own holdings and holdings of related parties: 400 shares

Kerstin Lindell
Board member

Born: 1967
Education: Graduate Engineer, Licentiate of Technology and MBA
Member of the Board since: 2020
Other assignments: President and CEO of Bona AB. Board member of HEXPOL AB and Peab AB.
Previous positions: Deputy CEO of Bona Kemi AB, Head of R&D at Akzo Nobel Industrial Wood Coatings
Own holdings and holdings of related parties: 4,000 shares

Robert Wernersson
Employee representative

Born: 1965
Member of the Board since: 2012
Other assignments: Board member of Inwido Produktion AB and Elitfönster AB, Chairman of Unionen, Växjö
Own holdings and holdings of related parties: 0 shares

Tony Johansson
Employee representative

Born: 1967
Member of the Board since: 2012
Other assignments: Board member of GS department 3 Halland/Kronoberg trade union
Own holdings and holdings of related parties: 0 shares

Carin Kärrå
Employee representative (deputy)

Born: 1964
Member of the Board since: 2016
Own holdings and holdings of related parties: 0 shares

Thomas Forslund
Authorized Public Accountant, KPMG AB

Born: 1965
Auditor for Inwido AB since: 2016

Group Management

Henrik Hjalmarsson
President and CEO as well as Executive Vice President North

Born: 1976
Education: MSc Mechanical Engineering and Technology Management, Lund University
Employed since: 2017, member of Group Management since 2017
Other positions: Chairman of the Board, Repasco AB
Previous positions: SVP Inwido Sweden-Norway (2017-2019), CEO Findus Nordic (2016-2017)
Own holdings and holdings of related parties: 10,000 shares

Peter Welin
CFO and Deputy CEO

Born: 1973
Education: MA Economics, Lund University
Employed since: 1998, member of Group Management since 2004
Previous positions: Business Area Manager for Inwido Sverige AB (2003-2004), President of Allmogefönster in Sweden (2000-2003)
Own holdings and holdings of related parties: 141,528 shares

Asger Drewes Jørgensen
Executive Vice President, South

Born: 1975
Education: MSc Business Administration, Copenhagen Business School
Employed since: 2016, member of Group Management since 2016
Other positions: Chairman of the Board of Translyft A/S
Previous positions: SVP Inwido Denmark (2016-2018), President & CEO Arla Foods USA (2012-2015)
Own holdings and holdings of related parties: 3,200 shares

Jonna Opitz
Senior Vice President, Communications & MultiBrands

Born: 1969
Education: B.Sc. Media and Communications, Växjö University; Executive MBA, Lund University,
Employed since: 2009, member of Group Management since 2009
Other positions: Board member, Nexam Chemical
Previous positions: VP Corporate Communications for ReadSoft AB (2006-2009), Corporate Communications Manager for PartnerTech AB (2001-2006)
Own holdings and holdings of related parties: 20,000 shares

Lars Jonsson
Senior Vice President, Operations & Technology

Born: 1965
Education: Law and Human Resources Management, University West and various international management programmes
Employed since: 2015, member of Group Management since 2015
Previous positions: Executive VP/COO Specma Group AB (2012-2015), CEO Crane AB (2010-2012)
Own holdings and holdings of related parties: 140 shares

Lena Wessner
Senior Vice President, Human Resources, Organization & Sustainability

Born: 1961
Education: B.Sc. in Business Administration, Lund University and various international management programmes
Employed since: 2010, member of Group Management since 2010
Previous positions: HR Manager E.ON ES (2009-2010), Head of HR Operations Sony Ericsson Mobil Communication AB (2006-2009)
Own holdings and holdings of related parties: 12,500 shares

Financial statements

Directors' Report

The Board of Directors and the President of Inwido AB (publ), corporate identity number 556633-3828, domiciled in Sweden and with registered offices in Malmö, hereby present their Annual Report and consolidated annual accounts for the 2019 financial year.

Group relationships
Inwido AB (publ) is the Parent Company for the Inwido Group. Inwido's shares are listed on the Nasdaq Stockholm exchange.

Operations
Inwido acquires, owns and develops companies that improve people's everyday lives indoors with various products and services. Today, Inwido is Europe's largest windows group and a natural home for the region's strongest companies in the areas of comfort, indoor climate and safety. In 2019, Inwido achieved sales of approximately SEK 6.6 billion and an operating EBITA margin of 9.7 percent. The Group has some 4,400 employees in total, with operations in Denmark, Estonia, Finland, Ireland, Lithuania, Norway, Poland, Romania, the UK, Sweden and Germany.

Seasonal variations
Inwido's operations are affected by seasonal fluctuations. The weakest period is the first quarter, which normally accounts for about 20 percent of sales. The largest seasonal variations are within the consumer market, although sales to the industry market are also dependent on the season and weather.

Financial targets
Inwido's operations are governed by four financial targets aimed at providing shareholders with good returns and long-term growth in value.

Profitability
Inwido's profitability target is an operating EBITA margin of 12 percent. Inwido may not achieve the profitability target during years when the market trend is weaker. In such cases, the company will undertake measures to further enhance profitability, which Inwido has been successful with in the past.

Sales growth
Inwido's objective is to exceed growth in our current markets through organic growth, as well as selective acquisitions and initiatives in Europe.

Capital structure
Inwido's net debt in relation to operating EBITDA shall, excluding temporary deviations, not exceed a multiple of 2.5.

Dividend policy
Inwido aims to pay its shareholders an annual dividend that corresponds to approximately 50 percent of net profit, However, Inwido's financial status in relation to the target, cash flow and future prospects shall be taken into consideration.

Key data
See pages 102-103 for definitions of alternative ratios not defined by IFRS.

Group development in 2019
In 2019, net sales decreased by 1 percent, while organic growth was negative in the amount of 4 percent. Operating EBITA for the year amounted to SEK 646 million and the operating EBITA margin was 9.7 percent. Excluding IFRS 16, operating EBITA amounted to SEK 634 million (657) and the operating EBITA margin was 9.6 percent (9.9). Despite the lower sales, profitability was strengthened, mainly thanks to early cost saving initiatives and a more advantageous mix overall, with a higher proportion of consumer sales. At the same time, the Group delivered very strong cash flow during the year, resulting in a reduction in net debt to 2.2x EBITDA.

In March 2019, Inwido acquired the remaining 17 percent of the shares in Värmelux OY, meaning that Inwido owns 100 percent of the company. The acquisition was financed through existing credit facilities. Additional information is provided under "Corporate acquisitions" below.

Inwido's new governance model, Simplify, was established in the Group, contributing to value-generating decentralization, self-determination and development in Inwido's 28 business units. Each company makes its own decisions based on its local conditions, retaining full responsibility for its business and earnings. This development, with improved earnings despite challenging markets, testifies to the strength of the Simplify governance model. In 2019, 9 percent of consolidated sales were generated by the company e-Commerce and organic growth amounted to 9 percent. In 2019, some 170,000 windows and doors were sold with fast delivery from one of Inwido's 12 e-commerce brands, including Sparvinduer, Bonusfönster, JNA and Bedst & Billigst.

Consolidated net sales and profit
Group
Consolidated net sales amounted to SEK 6,631 million (6,667) in 2019, corresponding to negative organic growth of 4 percent.

Consolidated EBITA amounted to SEK 621 million and the EBITA margin amounted to 9.4 percent. Excluding IFRS 16, EBITA amounted to SEK 609 million (635) and the EBITA margin was 9.2 percent (9.5). Operating EBITA, that is EBITA before items affecting comparability, amounted to SEK 646 million and the operating EBITA margin was 9.7 percent. Excluding IFRS 16, operating EBITA amounted to SEK 634 million (657) and the operating EBITA margin was 9.6 percent (9.9).

See "Items affecting comparability" below for additional information.

The slightly lower margin is primarily due to lower volumes, particularly in the new construction markets in Sweden and Finland, which were partly offset by a maintained gross margin and good cost control.

Net financial items amounted to an expense of SEK 43 million and to an expense of SEK 31 million (56) excluding IFRS 16. The improved net financial items are explained by higher positive exchange rate effects compared to the corresponding period in the preceding year.

Consolidated profit before tax amounted to SEK 558 million (562). Income taxes for 2019 amounted to SEK 125 million (124). Profit after tax was SEK 433 million (438). Earnings per share rose to SEK 7.48 (7.47).

North
Net sales for North amounted to SEK 3,750 million (3,970), corresponding to a decrease of 6 percent compared with the corresponding period in the preceding year. The reasons for the lower net sales were mainly a subdued new construction market in Sweden and Finland, combined with generally weaker demand in the renovation market. This was reflected in, among other things, a lower consumer confidence index in all sub-markets. At the end of the year, North's order backlog was 11 percent lower than at the end of the equivalent period in the preceding year. Operating EBITA amounted to SEK 226 million (319) and the operating EBITA margin was 6.0 percent (8.0). Lower volumes, particularly in Sweden and Finland brought the margin to a lower level. At the same time, it is gratifying to be able to report that the Norwegian operations showed a stable return to profit in 2019.

South
Net sales for South rose to SEK 2,713 million (2,517), corresponding to an increase of 8 percent compared with the corresponding period in the preceding year.

The Danish companies continued to grow and captured additional market shares. e-Commerce also contributed organic growth of 9 percent over the year. The Irish operations reported a marked improvement in earnings while at the same time the companies in the UK and Poland also delivered earnings that had improved overall compared with the preceding year. At the end of the year, South's order backlog was 14 percent higher compared with the equivalent period in the preceding year. Operating EBITA rose to SEK 458 million (383) and the operating EBITA margin rose to 16.9 percent (15.2). Most of the companies within South delivered higher profitability compared with the corresponding period in the preceding year.

Items affecting comparability
Items affecting comparability relates to income statement items that are non-recurring, have a significant impact on profit and are important for understanding the underlying development of operations. In particular, the costs relate to restructuring measures during a consolidation phase, in which the

company enhances efficiency through, for example, closures or reorganization of production facilities and sales units. These expenses primarily consist of impairment of assets, personnel costs and other external expenses.

For full-year 2019, items affecting comparability amounted to a negative net of SEK 25 million (22). As a consequence of the new Simplify model of governance, a review of centrally organized development projects has been conducted, resulting in impairments being recognized in central product and IT investments. These impairments constitute most of the year's items affecting comparability.

Cash flow

For full-year 2019, cash flow from operating activities after changes in working capital amounted to SEK 926 million and to SEK 847 million (434) excluding IFRS 16. The deviation from the previous year is mainly explained by more efficient management of working capital and lower tax payments.

Cash flow from investing activities was negative in the amount of SEK 274 million and negative in the amount of SEK 233 million (629) excluding IFRS 16. The deviation from the preceding year is mainly explained by acquisitions made in the corresponding period in the preceding year.

Cash flow from financing activities was negative in the amount of SEK 574 million and negative in the amount of SEK 537 million (54) excluding IFRS 16. The deviation from the previous year is explained primarily by amortizations on bank loans during 2019 and by loans raised in connection with company acquisitions made in the corresponding period in the preceding year.

Gross investments, depreciation, amortization and impairment

Gross investments in tangible non-current assets amounted to SEK 210 million and to SEK 169 million (153) excluding IFRS 16. Depreciation, amortization and impairment amounted to SEK 269 million and to SEK 190 million (164) excluding IFRS 16.

Financial position and liquidity

Inwido's principal financing consists of bank loans based on credit agreements expiring in the period 2022-2024. The largest credit facility of SEK 2,050 million, maturing in 2024, includes an extension option of one year (subject to the lenders' approval). The aforementioned agreement includes financial covenants that are followed up on a quarterly basis. Inwido meets the terms of existing credit agreements.

The Group's net debt at the end of the year amounted to SEK 2,075 million and to SEK 1,711 million (2,141) excluding IFRS 16. The lower net debt compared with the corresponding period in the preceding year is mainly explained by continued strong operating cash flow and the Group's increased focus on decreasing their working capital.

At the end of the year, indebtedness, calculated as interest-bearing net debt/operating EBITDA, was 2.4 and 2.2 (2.7) excluding IFRS 16. The net debt/equity ratio amounted to 0.5 and to 0.4 (0.6) excluding IFRS 16. Consolidated cash and equivalents were SEK 243 million (165) at the end the year. Available funds, including unutilized credit facilities, amounted to SEK 1,682 million (1,326).

Corporate acquisitions

Värmelux OY

On 12 March 2019, Inwido acquired the remaining 17 percent of the shares in Värmelux OY, meaning that Inwido owns 100 percent of the company. The acquisition was financed through existing credit facilities.

Employees

There were an average 4,356 (4,455) employees in the Inwido Group during the year. See the section "Employees" and Note 8 for further information.

Sustainability Report

Inwido details its sustainability work as an integrated part of the Annual Report, the Corporate Governance Report and the Directors' Report. Presented on page 30-34 is a summary of key sustainability information. Below follows an overview of where further information is contained in this publication.

Our stakeholders and our business model

Inwido's key stakeholders are customers, consumers (in their capacity as end-users of our products), investors, employees, suppliers and local decision makers in the markets where Inwido is active. For more information about our business model, how we generate value and our work with the environment and sustainability, see pages 16-17, page 19 and pages 30-34.

Our policy documents

Inwido has established policies and guidelines that govern the Group's work in the areas of the environment, ethics and human rights. See the description on page 30 of the Annual Report and our Code of Conduct on www.inwido.com.

Results of policies and guidelines:

For the work carried out in 2019, see the section Targets and target fulfilment on pages 10-13 and Strategic priorities on pages 14-15.

Significant risks in these areas and how they are managed:

See the Sustainability section on pages 30-34 and the Risk section on pages 55-59 of the Directors' Report.

Environment and sustainability

The Group ascribes great importance to adhering to and exceeding legal requirements in the area of the environment and conforming to the Group's environmental policy. Of the Group's total net sales in Sweden, a large proportion derive from activities requiring permits or compulsory registration. The Group's other production units have been inspected by local environmental authorities and meet the requirements imposed by local environmental legislation.

The Swedish subsidiaries are affiliated with an active and targeted environmental programme. Inwido's Swedish units operate in a network, working together on environmental issues and improvement projects. All production units within Elitfönster, Hajom Skjutdörrrar and SnickarPer are environmentally certified in accordance with ISO 14001. All production units within Elitfönster, Hajom Skjutdörrrar and SnickarPer also conduct operations requiring permits or registration in accordance with Swedish environmental legislation. The obligation to undergo testing applies to the use of solvents and the operation of solid fuel furnaces.

In Sweden, Inwido conducts operations requiring permits at five operational locations: Lenhovda in Kronoberg County, Vetlanda, Hånger, Bankeryd and Sävsjö in Jönköping County. The permit for Lenhovda applies to the manufacture of windows and sealed glass panes. The permit for Vetlanda applies to the manufacture of windows. The permits for Hånger and Bankeryd apply to the manufacture of doors. The permit for Sävsjö applies to the pre-treatment and powder coating of aluminium profiles. Operations requiring registration are conducted at two sites: Vetlanda in Jönköpings County and Hajom in Västra Götaland County. The facilities for which permits are required adhere to the decisions made by the environmental committees of the relevant municipalities.

The operations primarily affect the environment through emissions of solvents and dust to the atmosphere as a result of surface treatment and impregnation, as well as the operation of solid fuel furnaces. Solvent-filtration plants have been installed in Lenhovda, Vetlanda, Hånger and Bankeryd. In Hajom, solvents are used to such a minor extent that filtration is not required. At the other facilities, surface treatments are carried out using water-based paints and filtration is not required. Flue-gas filtration to reduce dust emissions has been installed on all solid fuel boilers. Current permits cover the production volumes expected in 2020.

Inwido is working purposefully to reduce the Group's energy consumption, carbon dioxide emissions and other emissions, as well as monitoring and controlling waste and materials with the objective of reducing negative environmental impact. Other key sustainability-related areas of focus for Inwido are sustainable products and transactions and a safe and stimulating work environment. See the "Sustainability" section for further information on Inwido's sustainability efforts.

Risks and risk management

The governance of Inwido is based on the company's Articles of Association, the Swedish Companies Act, other relevant Swedish and foreign regulations and legislation, and internal guidelines. Inwido's governance is also based on Nasdaq

Stockholm's regulations for issuers, as well as the Swedish Corporate Governance Code ("the Code"). Inwido followed the Code in all respects in 2019. See the Corporate Governance Report in this Annual Report or Inwido's website, inwido.com, for further information about the corporate governance principles applied by Inwido.

Inwido defines risk as something that can affect Inwido's achievement of targets negatively. Risk is a natural part of all business operations, but can be managed and it is the responsibility of Group management to ensure that risks are identified and managed. In turn, this requires an effective and structured risk management process. The overall objective of Inwido's risk management is to ensure a systematic approach to identifying risks and ensuring that they are managed from an early stage. The objective is also to make risk management a natural part of day-to-day operations by engendering a culture of risk awareness among all employees and a knowledge of how to manage risks to achieve business objectives. Inwido operates in about ten countries through 28 business units. This spread, combined with a large number of customers in different market segments and a large number of suppliers, limits the commercial risks.

The governing document for Inwido's risk management consists of a Corporate Risk and Insurance Policy. The purpose of this document is to define Inwido's view of risk by setting out objectives and responsibilities. The Board of Directors reviews and approves the Corporate Risk and Insurance Policy.

The President & CEO is ultimately responsible for the implementation and enforcement of the risk management process and for keeping the Board of Directors updated on an ongoing basis. The President & CEO is also responsible for the risk management process being developed, adapted and reviewed.

In the process of identifying risks that should either be eliminated and prevented, or simply identified and monitored, a "Risk Mapping Matrix" is prepared each year. The Managing Directors of each of the local business units are responsible for this mapping of risks and for assessing the probability of risks occurring and their potential effects – in monetary terms if possible. Inwido's Group management and the local management teams then define together what risks can be considered acceptable and how the risks that are unacceptable, should be managed (through plans of action) to make them acceptable. The respective Managing Directors of the local companies are responsible for implementing risk management within each of their business units. Inwido divides risks between financial, operational and external risks.

The financial risks are managed primarily by the central finance department. The responsibility of the Board and President & CEO for internal control regarding financial reporting is regulated by the Swedish Companies Act. The Board's responsibility is also regulated in the Code. In accordance with the Code, the Board shall describe how the internal control of financial reporting is organized, which is carried out through the Corporate Governance Report.

The principal purpose of internal control is to ensure the achievement of the company's targets for appropriate and efficient operations, reliable reporting and adherence to applicable legislation and regulations. Internal control relating to financial reporting serves to provide reasonable security with regard to the reliability of external financial reporting and to ensure that external financial reports are prepared in accordance with legislation and applicable accounting standards. See the Corporate Governance Report in this Annual Report or Inwido's website, inwido.com, for further information on internal control regarding financial reporting.

Operational and external risks are managed by the local business units supported by the central functions.

The overview below shows the overall risks within each risk category and how Inwido manages those risks.

Financial risks

RISK	Management/Exposure
Financial credit risks	
Credit risks in financial management relate primarily to the probability of financial losses resulting from counterparties' incapacity to meet contractual obligations arising from financial transactions or instruments.	Financial credit risks are limited by engaging counterparties with a high credit rating who chiefly participate in the Group's mid-term and long-term financing. In 2019, no credit losses were incurred as a consequence of investments in cash equivalents or financial instruments.
Currency risks	
Transaction exposure	
The Group is exposed to currency risk in the form of transaction exposures arising through purchases and sales of goods and services in currencies other than each business unit's local currency.	The Group applies a finance policy adopted by the Board of Directors. Transaction exposure shall primarily be minimized through internal measures such as matching of flows and choice of invoicing currency. Currency clauses can be used if contractually transparent and possible to follow up, ensuring that the Group is not exposed to any hidden currency risks. Secondarily, currency risks are to be mitigated by means of financial instruments. Currency hedging is arranged with maturities of up to 12 months and is based on the latest estimates available. Currency hedges must meet the following conditions with an accuracy of about +/- 20 percentage points:

Hedging horizon	Degree of hedging
1-3 months	70%
4-6 months	60%
7-9 months	40%
10-12 months	20%

Contracted future payments for non-current assets in foreign currency may be secured up to the full cost.

No hedging is required if the net exposure to any single currency is less than the equivalent of EUR 1 million annually.

Translation exposure	
When subsidiaries' balance sheets in local currency are translated into SEK, a translation difference arises as a consequence of the current year being translated at a different closing rate than the previous year. The income statement is translated at the average exchange rate for the year while the balance sheet is translated at the exchange rate as per 31 December. The translation exposure forms the risk represented by the translation difference as the change in shareholders' equity.	The Group does not hedge this risk. An annual analysis is made of the translation exposure trend and the related risks. See Note 2.

Interest rate risks	
Interest rate risk represents how changes in market interest rates affect cash flow and the Group’s earnings, as well as the value of financial instruments.	The management of the Group’s interest exposure is centralized, meaning that the central finance function is responsible for identifying and managing this exposure in accordance with the finance policy adopted by the Board of Directors. Inwido strives to achieve a good spread of interest maturities to avoid fixing of interest rates at the same time for large loan volumes. Inwido’s short-term interest rate exposure (aggregated positions with a residual weighted average length of <1 year) should be between 50 and 80 percent of the total debt portfolio, excluding short-term seasonal debt. The average period of fixed interest on the Group’s gross borrowing, including the effects of interest rate derivatives, may not exceed three years.

Financing and liquidity risks	
Financing and liquidity risks represent the risk that it will be difficult or costly to refinance loans reaching maturity or that it will not be possible to meet payment obligations due to insufficient liquidity or difficulties in obtaining external financing.	Inwido seeks to achieve good planning and foresight with regard to funding issues with the objective of Inwido always being offered cost-effective financing on favourable market terms for comparable borrowers. To safeguard adequate payment capacity, Inwido’s objective is to secure sufficient liquidity or credit facilities. The Group’s debt/equity ratio and forecasts of its liquidity are followed up on an on-going basis. See Note 2.

Operational Risks

RISK	Management/Exposure
Risk of losses on accounts receivable	
The risk that the Group’s customers fail to meet their payment obligations for trade receivables constitutes a customer credit risk.	Inwido reduces counterparty risks relating to customers by applying the Group’s credit policy. Credit checks are performed on the Group’s customers with information regarding their financial status being obtained from various credit information agencies. The risk of credit losses is also limited through credit insurance, which covers the majority of Inwido’s insurable trade receivables. Bank guarantees or other sureties are required of customers with low credit ratings or insufficient credit history. Trade receivables are subjected to on-going age analysis. The assessment of credit risk is primarily managed by each business unit. As per the balance sheet date, there were no significant concentrations of customer credit exposures. See Note 2.
Refund and product liability risks	
Inwido could incur expenses in correcting faults in delivered products and, in certain cases installation, and could be found liable for damages to individuals or property.	Inwido seeks to limit these risks by following locally adapted procedures for quality assurance and through extensive testing of the Group’s products. In 2019, compensation expenses incurred as a consequence of complaints amounted to approximately 2.0 percent (2.1) of net sales.
Human capital risk	
It is important for Inwido to be able to attract and retain qualified employees. The loss of key individuals could negatively affect the Group’s earning capacity.	Inwido works actively to safeguard regeneration and identify future leaders. Senior executives are regularly assessed to identify needs vis-à-vis on-going in-service training and competence development. In addition to applying a market-based salary structure, Inwido also uses various forms of incentives for key individuals within the Group.
Risk of operational interruptions	
Inwido could be affected by operational interruptions due to equipment failure, fire, strikes or natural disasters, for example.	Together with its insurance advisors, Inwido conducts regular risk inspections of its production units. The results of these inspections are used to implement preventative measures to reduce the risk of disruptions and accidents in operations. Inwido is, to a certain extent, able to transfer production to other units, mainly within each respective market, in the event that a unit becomes inoperative. Inwido also strives to maintain well-functioning cooperation with local trade union organizations, thereby reducing the risk of conflicts and strikes.

Operational risks, cont.

Risk associated with product development

Inwido's sustained earnings and competitive vigour is to some extent dependent on its capacity to develop and sell new innovative products and solutions demanded by customers. In recent years, market requirements have increased, including in terms of the products' energy performance. Extensive and successful product development by competitors could entail risks in the form of weaker sales for Inwido, and that Inwido must invest significant additional amounts in its own product development in the future. Furthermore, companies currently working in adjacent fields may decide to establish themselves in Inwido's area of operations.

Through Inwido's strong market presence, shifts, trends and new requirements from customers and other stakeholders are caught, providing a basis for the focused, on-going development of the product portfolio. An important part of Inwido's strategy is to develop new products in the areas it considers important for continued growth and to retain its market share.

Business development risks

Risks associated with business development such as corporate acquisitions and the Group's long-term strategic focus.

In connection with acquisitions, there is a risk that business risks associated with the acquired companies arise. Establishing operations in new markets may also bring unexpected costs for Inwido. In addition to company-specific and geographic risks, the acquired company's relationships with key personnel, customers and suppliers may be adversely affected. There is also a risk that integration processes could take longer than expected, be more costly than anticipated and that expected synergies totally or partially fail to materialize. This may mean that the asset values attributable to the acquisitions (goodwill) cannot be realized and consequently that it may be necessary to recognize impairment in those values.

Inwido has developed procedures for the analysis, implementation, review and integration of acquisitions, including due diligence. Risks associated with the Group's long-term planning are primarily addressed once a year when the Board adopts the Group's strategic plan.

Corporate governance and policy risks

Risks associated with Group executives making decisions that do not agree with Inwido's strategy, internal guidelines and policy documents. Furthermore, employees at Inwido and others with a close relation to Inwido, as well as its customers and suppliers, could commit acts that are unethical, illegal (for example, in violation of applicable corruption and bribery legislation) or that otherwise contravene applicable legislation and regulations or Inwido's internal guidelines and policies. If Inwido's internal controls and other measures to safeguard compliance with laws, regulations, internal guidelines and policy documents prove insufficient, Inwido's reputation may be damaged and its operations, financial position and earnings could be negatively affected.

Inwido develops internal control procedures on an on-going basis. Examples of these are the division of labour between the Board of Directors and the CEO, instructions for the Managing Directors of the local business units, reporting instructions and Inwido's Code of Conduct.

Insurance risks

Insurance risk involves the expenses that Inwido could incur due to inadequate insurance cover for products, property, disruptions, liability, the environment, transport, life and pensions.

The Group applies a coordinated programme for insurance and secures insurance policies to the extent that this is considered commercially motivated. At the same time, continuous efforts are made to minimize risks in operations through proactive measures. Insurance cover is also maintained for Inwido's senior executives and Board members. Inwido takes the view that its insurance protection is appropriate for the risks normally associated with its operations. There is naturally no guarantee that Inwido will not incur losses beyond the scope of its insurance cover.

Risk associated with IT systems

Inwido's ability to effectively and securely manage sales and other business-critical operations depends on Inwido's IT systems and processes working well and without interruption. Such systems can be disrupted by, for example, software failures, computer viruses, hacking, sabotage and physical damage. Several different business systems are used within Inwido. Most of these are customized and do not intercommunicate, resulting in a certain degree of task duplication and an increased risk of error in connection with internal sales, for example. Customized business systems can also entail Inwido being dependent on external and internal key competencies and access to external expertise regarding the Group's business systems being limited.

Inwido is gradually working to centralize the Group's IT-related systems and functions, and to gradually replace industry-specific and company-specific business systems with more general and shared business systems. Among other things, this is intended to enhance operational and data security, and to reduce vulnerability in access to internal and external systems expertise.

Risk associated with suppliers	
Inwido's products consist of components from several different suppliers. To be able to manufacture, sell and deliver products, Inwido is dependent on external suppliers meeting agreed requirements regarding volumes, quality and delivery times for example. Deliveries from suppliers that are inaccurate, delayed or that fail to materialize may mean, in turn, that Inwido's deliveries are delayed or must be cancelled, or are deficient or incorrect. Inwido does not have full insight into its suppliers' operations and consequently it has only a limited capacity to ascertain that its efforts to ensure that suppliers operate in a sustainable and responsible way have an impact. Therefore, Inwido is also exposed to the risk that suppliers act in a manner that could harm Inwido's reputation and brands.	Inwido has close partnerships with leading suppliers within each component group and also reduces the risk of a possible dependence by sourcing through alternative suppliers. Furthermore, Inwido has pre-established contingency plans for the most critical supplies of components, and these plans are reviewed annually. To safeguard supply and to increase its control of the value chain, the Inwido Group also includes a number of companies that produce sealed window panes and fittings and refine aluminium profiles. Inwido is committed to responsible business and has the ambition that this approach should permeate the entire value chain. As part of this, Inwido requires all major suppliers to acquaint themselves with and sign Inwido's code of conduct for business partners.

External risks

RISK	Management/Exposure
Market risk	
Demand for Inwido's products is affected by activity in the housing market and overall consumer confidence, among other factors. The new building market is more cyclical than the renovation market. In a general economic downturn with lower building activity, demand for Inwido's products and services could decrease. Political decisions can also influence customer demand independently of economic trends (see Political decisions below).	Inwido maintains a presence in a large number of countries and in different market segments, thereby balancing, to a certain extent, various country-specific risks. In addition, most of Inwido's sales take place in the less cyclical consumer market. Inwido's operations are also affected favourably by the debate on climate change and increasing demands for energy-efficient housing, which are not particularly affected by economic trends.
Competition	
Inwido operates in markets that primarily comprise a large number of local competitors but that also include companies that operate internationally.	Inwido is Europe's largest supplier of windows and a leading door supplier, with a strong market position in most of its markets. Inwido's size allows it to derive economies of scale and benefit from best practices in areas including purchasing, product development, production and processes. Inwido constantly strives to meet customer needs with new, innovative, energy-efficient and attractively designed products. This is one of the most important prerequisites for the Group's future competitiveness.
Prices for raw materials	
Inwido relies on ongoing deliveries of wood, glass, aluminium, fittings, etc. Inadequate supply could entail increased expenses and, in certain cases, disrupted production. Normally, there is a certain displacement between purchase and sales price adjustments due to agreements entered with suppliers and customers. Altered price levels affect Inwido's purchasing prices with a delay of up to six months.	Inwido has built up its relations with key suppliers over many years. Inwido's central purchasing organization coordinates purchases of the major material categories. By centralizing its purchasing, Inwido is able to enhance its negotiating position and cut costs for materials.
Political decisions	
Political decisions can affect demand positively or negatively. Political decisions include changes in tax legislation in countries where Inwido operates. Changes in taxation and subsidies for homes and residential building can, in the long term, affect demand for Inwido's products and services. In addition, changed standards and regulations regarding residential building can impose requirements for changes in the product range in specific markets.	The Group mostly operates in countries where the risk of political decisions that would drastically change its market conditions is judged to be relatively low. In addition, Inwido is active in local industrial organizations that often provide Inwido with early insight into external changes that may affect its business operations.
Risk of legal disputes	
This risk involves the expenses that the Group could incur as a consequence of pursuing legal processes, expenses associated with settlements and expenses for any damages it is required to pay.	Inwido's assessment is that there are currently no disputes that could have a material impact on the Group's financial position. Where necessary, Inwido makes provisions for perceived risks of possible losses.
Tax risks	
Inwido conducts operations in several countries. Operations, including the implementation of transactions between Group companies, are conducted in accordance with Inwido's interpretation of applicable tax laws, tax agreements and other regulations in the area of tax law and the requirements of the relevant authorities. It is not certain that Inwido's interpretation of the aforementioned laws, agreements, other regulations and requirements is correct in all regards.	Inwido works according to the guidelines in the Group's internal pricing policy.

Significant events after the end of the financial year

Covid-19

Inwido is focusing considerable attention to developments surrounding the spread of the Covid-19 virus. The company does its utmost to ensure the health of our employees, managing our impact on the communities in which we operate, especially in terms of limiting the spread of the virus, and limiting any negative effects on the business. Which impact Covid-19 will have on our business is too early to predict.

Inwido withdraws dividend proposal

On 27 March 2020, the Board of Directors of Inwido AB announced that the previously communicated dividend proposal to the Annual General Meeting 2020 of SEK 3.50 per share has been withdrawn. The decision has been made despite the fact that Inwido's financial position is strong and does not reflect any change in Inwido's dividend policy or future dividend ambitions.

The background to the decision is the considerable uncertainty that exists as a result of the effects of the spread of the Covid-19 virus. At present, it is impossible to assess how long-lasting or serious the current situation and its effects will be. The Board of Directors motivates this decision by concluding that it is important that Inwido's financial position is as strong as possible ahead of potential future challenges and opportunities.

It is therefore the Board's opinion that the dividend proposal, communicated in the year-end report 2019, under current circumstances, is no longer justified as Inwido may need increased financial resilience in the future. The Board of Directors has resolved to propose a dividend of SEK 0 per share to the Annual General Meeting on May 5.

New Board members

Kerstin Lindell and Christer Wahlquist were elected as new Board members in connection with an Extraordinary General Meeting on 21 January 2020.

Parent Company

The Parent Company is a public limited company with registered offices in Sweden. The Parent Company, Inwido AB (publ), is purely a holding company with no operations of its own. The Parent Company's profit mainly reflects the net of revenues for joint Group services and deductions for wages, other remunerations and interest expenses.

The share and ownership

On 26 September 2014, Inwido's shares were listed on the Nasdaq Stockholm exchange in the Mid-Cap segment. On 31 December 2019, Inwido AB's paid and registered share capital was SEK 231,870,112 and there was a total of 57,967,528 issued and registered shares. The company has one (1) class of shares. Each share entitles the holder to one vote at General Meetings. On 31 December 2019, the closing price was SEK 72.10 and the company's market capitalization was SEK 4,179 million. At the end of the year, the single largest shareholder, Fjärde AP-fonden, held 9.78 percent of the shares. See "The Inwido share" on pages 40-41 for more information on the share and shareholders.

Guidelines for remuneration and other terms of employment for Group management 2019

Under the Companies Act, the Annual General Meeting shall adopt guidelines for remuneration to the President and CEO and other senior executives. The following guidelines were adopted by the 2019 Annual General Meeting:

Remuneration and terms for senior executives shall be based on local market conditions and consist of a balanced mix of fixed salary, variable compensation, pension benefits, other benefits and terms of dismissal. Variable remuneration shall be based on performance in relation to set targets. Variable cash compensation shall be maximized and may not exceed 50 percent of fixed annual salary. Variable remuneration may also be paid in the form of long-term incentive plans. Pension benefits shall be in the form defined contribution plans. The retirement age for the CEO and other senior executives shall be 65 years. Combined, fixed salary during the period of notice and severance pay shall not exceed an amount equivalent to fixed salary for 12 months; for the President and CEO, a period of 18 months applies. The Board of Directors shall have the right to deviate from these guidelines in individual cases if specific reasons motivate this.

The Board of Directors of Inwido AB's proposed guidelines for remunerations to senior executives

The Board of Directors of Inwido AB (publ) ("Inwido") proposes that the 2020 Annual General Meeting adopt guidelines for remuneration to senior executives as follows.

These guidelines include senior executives in Inwido, who comprise the CEO of Inwido as well as the persons who from time to time form part of the company's management group. The guidelines shall apply to remunerations agreed, and to changes made to previously agreed remuneration, following the adoption of these guidelines by the 2020 Annual General Meeting. The guidelines do not include remunerations determined by the Annual General Meeting.

To the extent that a Board member performs work on Inwido's behalf, beyond his/her Board work, cash compensation may be paid that shall be market-based in view of the nature of the assignment and the work performed.

The guidelines benefit to Inwido's business strategy, long-term interests and sustainability

Inwido acquires, owns and develops Europe's leading companies in windows and doors. Today, Inwido is Europe's largest windows group and a natural home for the region's strongest companies. Inwido's local roots are the key to its success. The successful implementation of Inwido's business strategy and the safeguarding of Inwido's long-term interests, including its sustainability, requires Inwido to be able to recruit and retain qualified employees. This requires that Inwido be able to offer competitive compensation. These guidelines make it possible to offer senior executives competitive total remuneration. Further information on Inwido's business strategy can be found at https://www.inwido.com/en.

Forms of compensation, etc.

Remuneration and terms for senior executives shall be based on local market conditions and consist of a balanced mix of fixed cash salary, variable cash compensation, pension benefits and other benefits. Furthermore, the Annual General Meeting may determine share and share price-related remunerations, for example, and the Meeting may approve such remunerations regardless of these guidelines.

Fixed cash salary

Fixed cash salary shall be determined on the basis of the individual executive's responsibility, authority, expertise and experience.

Variable cash compensation

Variable cash compensation shall be based on predetermined, well-defined and measurable financial and non-financial targets for the Group and may amount to a maximum of 50 percent of the total fixed cash salary during the measurement period for the targets. Of the targets for variable cash compensation, 60 percent shall relate to operating EBITA, 20 percent to working capital tied-up in relation to sales and 20 percent to measurable strategic individual targets that can be financial and non-financial. For variable cash compensation to be payable, target achievement must be measurable over a period of one year or more. The targets for variable cash compensation shall be designed to advance Inwido's business strategy and long-term interests, including its sustainability by, for example, including a clear link to the business strategy or benefiting the long-term development of the executive. In order to foster a common endeavour to achieve the company's business strategy, long-term interests and sustainable development of the company, and ultimately increased shareholder value, the same financial targets for variable remuneration shall apply to all senior executives.

Pension benefits

For the CEO and other senior executives, pension benefits, including health insurance, must be defined-contribution benefits unless the employee is covered by defined-benefit pensions under the provisions of compulsory collective agreements. Variable remuneration corresponding to at most 50 percent of the maximum variable cash compensation shall be pensionable, unless otherwise determined by the provisions of compulsory collective agreements applicable to the executive. The pension premiums for defined-contribution pensions shall amount to at most 30 percent of the pensionable income for the CEO and for other senior executives to a maximum of 25 percent of the pensionable income.

Other benefits

Benefits other than fixed cash salary, variable cash compensation and pension benefits are to be applied restrictively. Such benefits may include: life insurance, health insurance and a car benefit, and may amount to at most 10 percent of fixed cash salary.

Extraordinary remuneration

Additional variable cash compensation may be paid in exceptional circumstances, provided that such extraordinary arrangements are for a limited time and apply only at the individual level, either for the purpose of recruiting or retaining executives, or as compensation for extraordinary efforts beyond the ordinary duties of the individual. Such remuneration may not exceed an amount equal to 100 percent of annual fixed cash salary and shall not be paid more than once per year and per individual. A decision on such remuneration shall be made by the Board of Directors on the basis of a proposal from the Remuneration Committee.

Foreign employment conditions

Regarding employment conditions governed by non-Swedish regulations, appropriate adjustments may be made to comply with such regulations that are compulsory or established local practices, while also meeting the general objectives of these guidelines as far as possible.

For executives stationed in a country other than their home country, additional remuneration and other benefits may be paid, to a reasonable extent, that take into account the particular circumstances associated with such stationing abroad, while also meeting the general objectives of these guidelines as far as possible. Such benefits may amount to at most 25 percent of annual fixed cash salary.

Remuneration to Board members

In cases where a Board member (including through a wholly-owned company) performs services for Inwido beyond his/her work on the Board of Directors, a specific cash fee may be paid for that work (consultancy fees) provided that such services contribute to the implementation of Inwido's business strategy and the safeguarding of Inwido's long-term interests, including its sustainability. The annual consultancy fee shall be market-based, shall be in relation to the benefit to Inwido, and may never exceed 100 percent of the annual Board fees paid to the relevant Board member. Remuneration to the Board member, as well as other terms, shall be determined by the Board of Directors.

Determination of outcome of variable cash compensation, etc.

The Remuneration Committee shall prepare, monitor and assess, for the Board of Directors, issues regarding variable cash payments. At the end of the measurement period for meeting targets on which payments of variable cash compensation are based, a separate assessment and determination shall be made of the extent to which the targets have been met. Where financial targets are concerned, the assessment shall be based on the latest financial information published by Inwido. The Board determines the CEO's remuneration based on a proposal from the Remuneration Committee. The Remuneration Committee determines the remuneration of other senior executives based on a proposal from the CEO.

Programmes and targets for variable cash compensation should be structured such that the Board, where exceptional circumstances prevail, is able to restrict or withhold payment of variable remuneration in the event that such action is deemed reasonable and consistent with the company's responsibilities towards its shareholders, employees and other stakeholders. The Board of Directors shall have the opportunity to recover, in full or in part, variable remuneration paid on incorrect grounds, by law or contract.

Termination of employment

In the event of termination by Inwido, the period of notice may not exceed 12 months. Fixed cash salary during the notice period and any severance pay shall, in total, not exceed an amount corresponding to the fixed cash salary for 18 months for the CEO and 12 months for other senior executives. In the event of termination by the senior executive, the period of notice may not exceed six months, without the right to severance pay.

It shall be possible to compensate senior executives for competition-limiting commitments following termination of employment, albeit only to the extent that severance pay is not paid for the corresponding period of time. Such remuneration is intended to compensate the executive for the difference between the fixed cash salary at the time of termination and the (lower) income that he/she obtains, or could obtain, through a new employment contract, assignment or proprietary operations. The remuneration may be paid during the period for which the competition-limiting commitment applies, albeit for a period of at most 24 months following termination of employment.

Salary and terms of employment for employees

In preparing the Board's proposal for these remuneration guidelines, the salary and terms of employment of Inwido's employees have been taken into account in that data on employees' total remuneration, the components of that remuneration and the rate of increase and the increase over time have been included in the data on which the Remuneration Committee and the Board of Directors have based their conclusions in assessing the reasonableness of these guidelines and the limitations they impose.

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

The Board of Directors has established a Remuneration Committee that addresses issues of remunerations to senior executives. The Committee's tasks include preparing the Board of Directors' decision on the proposed guidelines for remunerations to senior executives. The Board of Directors shall draw up proposals for new guidelines at least every four years and submit these proposals for resolution by the Annual General Meeting. These guidelines shall apply until new guidelines have been adopted by the Annual General Meeting. The Remuneration Committee shall also monitor and assess programmes of variable remuneration for company management, the application of guidelines for remunerations to senior executives, as well as current remuneration structures and remuneration levels within Inwido. The members of the Remuneration Committee are independent in relation to Inwido and company management. When the Board of Directors addresses and determines remunerations issues, neither the CEO nor other members of company management shall be in attendance insofar as they are affected by these issues.

Deviations from the guidelines

The Board of Directors may decide to temporarily deviate from these guidelines, in whole or in part, if there are specific reasons for doing so in an individual case and such a deviation is necessary to meet Inwido's long-term interests, including its sustainability, or to ensure Inwido's financial viability. As stated above, it is part of the Remuneration Committee's tasks to prepare decisions by the Board of Directors on remuneration issues, which includes decisions to deviate from the guidelines.

Transitional provisions applicable to the 2020 Annual General Meeting

Note 8 in the Annual Report for 2019, states the total remuneration to the CEO and other senior executives, including any previously agreed commitments yet to be paid.

Malmö, March 2020
The Board of Directors of Inwido AB (publ)

Corporate governance report

See separate Corporate Governance Report on pages 43-47.

Proposed treatment of profit

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

Share premium reserve	890,705,916
Accumulated profit	237,010,599
Profit for the year	110,402,785
Total, SEK	**1,238,119,300**

The Board of Directors and President and CEO propose that the profit at the disposal of the Annual General Meeting be distributed in the following manner:

Distributed to shareholders: SEK 0 per share	0
Brought forward to new account	1,238,119,300
Total, SEK	**1,238,119,300**

The Board of Directors of Inwido AB has decided to withdraw the previously communicated dividend proposal to the Annual General Meeting 2020 of SEK 3.50 per share. The background to the decision is the considerable uncertainty that exists as a result of the effects of the spread of the Covid-19 virus. See "Significant events after the end of the financial year" on page 60 for more information.

Outlook for 2020

During 2020, we will further increase efforts to drive long-term growth, including continued investments in e-Commerce and to strengthen our business units' competitiveness and position in the market. All to further capture the market potential once the markets enter a more benign cycle. We will continue our hard work with good margin development and strong cash flow generation, in line with the Simplify model, to be able to reinvest in the development of our business units and, when the circumstances are right, to acquire new businesses into the Group.

We are naturally humbled by the challenges that the pace of change in the world pose, not least the emerging and very serious Covid-19 situation, which extent we cannot yet overlook.

Consolidated statement of comprehensive income

1 Jan. – 31 Dec., SEKm	Note	2019	2018
Net sales	3	6,630.6	6,666.6
Cost of goods sold	10	-4,936.6	-4,954.4
Gross profit/loss		**1,693.9**	**1,712.2**
Other operating income	6	22.0	52.7
Selling expenses	10	-640.9	-670.0
Administrative expenses	9, 10	-416.7	-415.6
Research and development expenses	10	-53.7	-50.5
Other operating expenses	7	-4.9	-12.6
Participations in the earnings of associated companies	15	1.7	1.5
Operating profit/loss	8, 24	**601.4**	**617.6**
Financial income	11	27.4	13.1
Financial expenses	11	-70.4	-68.9
Net financial items		**-43.0**	**-55.8**
Earnings before tax		**558.4**	**561.9**
Taxes	12	-125.2	-123.9
Profit for the year		**433.2**	**438.0**
Other comprehensive income			
Items reallocated to, or that can be reallocated to profit for the year			
Translation differences, foreign operations		15.6	85.6
Other comprehensive income for the year		**15.6**	**85.6**
Comprehensive income for the year		**448.8**	**523.6**
Profit for the year attributable to:			
Parent Company shareholders		433.2	432.5
Non-controlling interests		0.0	5.5
		433.2	**438.0**
Comprehensive income for the year attributable to:			
Parent Company shareholders		448.5	521.0
Non-controlling interests		0.3	2.6
		448.8	**523.6**
Earnings per share			
Before dilution (SEK)	19	7.48	7.47
After dilution (SEK)		7.48	7.45

Consolidated statement of financial position

As per 31 Dec., SEKm	Note	2019	2018
Assets	2		
Intangible non-current assets	13	4,650.4	4,617.7
Tangible non-current assets	14	1,272.8	893.0
Participations in associated companies	15	14.4	12.6
Financial investments	2	2.7	2.7
Deferred tax assets	12	47.2	39.7
Other non-current assets	2	37.0	38.6
Total non-current assets		**6,024.6**	**5,604.3**
Inventories	17	494.5	548.8
Current tax assets		104.8	95.2
Trade receivables	2	511.9	595.5
Prepaid expenses and accrued income		29.0	50.2
Other receivables	2	63.0	94.2
Cash and equivalents	2, 18	242.8	165.0
Total current assets		**1,446.0**	**1,548.9**
Total assets		**7,470.5**	**7,153.2**
Shareholder´s equity	19		
Share capital		231.9	231.9
Other capital contributions		946.0	946.0
Other reserves		227.2	211.8
Profit brought forward including profit for the year		2,370.5	2,106.2
Equity attributable to Parent Company shareholders		**3,775.6**	**3,495.9**
Non-controlling interests		**0.0**	**5.1**
Total equity		**3,775.5**	**3,501.0**
Liabilities	2		
Non-current interest-bearing liabilities	2, 20	1,926.8	2,199.0
Non-current lease liabilities	24	285.3	-
Deferred tax liabilities	12	119.2	120.0
Other liabilities	2	12.5	27.7
Total non-current liabilities		**2,343.8**	**2,346.6**
Other current interest-bearing liabilities	2, 20	41.7	124.8
Current lease liabilities	24	81.6	-
Other provisions	22	31.3	38.6
Trade and other payables	2	528.7	458.6
Tax liabilities		89.9	76.7
Other liabilities	2	185.6	225.5
Accrued expenses and prepaid income	23	392.5	381.4
Total current liabilities		**1,351.2**	**1,305.6**
Total liabilities		**3,695.0**	**3,652.2**
Total equity and liabilities		**7,470.5**	**7,153.2**

Information on the Group’s pledged assets and contingent liabilities, see Note 25.

Consolidated statement of changes in equity

2018, SEKm	Share capital	Other capital contributions	Translation reserve	Profit brought forward	Total	Non-controlling interests	Total equity
	Equity attributable to Parent Company shareholders						
Equity, opening balance, 1 Jan. 2018	231.9	946.0	123.3	1,766.3	3,067.5	99.5	3,167.1
Profit for the year				**432.5**	**432.5**	**5.5**	**438.0**
Other comprehensive income							
Change in translation reserve for the year (exchange rate difference)			88.5		88.5	-2.9	85.6
Other comprehensive income for the period			**88.5**		**88.5**	**-2.9**	**85.6**
Total comprehensive income for the period, excluding transactions with the company's owners			**88.5**	**432.5**	**521.0**	**2.6**	**523.6**
Transactions with the Group's owners							
Dividends paid to Parent Company shareholders				-202.9	-202.9	-	-202.9
Dividend to non-controlling interest				-	-	-29.6	-29.6
Acquisition/divestment of participation in non-controlling interests				67.5	67.5	-67.5	-
Revaluation issued put option				43.0	43.0	0.0	43.0
Other changes in net wealth				-0.2	-0.2	0.0	-0.2
Total Transactions with the Group's owners	**-**	**-**	**-**	**-92.7**	**-92.7**	**-97.0**	**-189.7**
Equity, closing balance, 31 Dec. 2018	**231.9**	**946.0**	**211.8**	**2,106.2**	**3,495.9**	**5.1**	**3,501.0**

2019, SEKm	Share capital	Other capital contributions	Translation reserve	Profit brought forward	Total	Non-controlling interests	Total equity
	Equity attributable to Parent Company shareholders						
Equity, opening balance, 1 Jan. 2019	231.9	946.0	211.8	2,106.2	3,495.9	5.1	3,501.0
Adjustment in accordance with IFRS 16				-29.0	-29.0	0.0	-29.0
Adjusted equity, opening balance, 1 Jan. 2019	231.9	946.0	211.8	2,077.1	3,466.8	5.1	3,472.0
Profit for the year				**433.2**	**433.2**	**0.0**	**433.2**
Other comprehensive income							
Change in translation reserve for the year (exchange rate difference)			15.3		15.3	0.3	15.6
Other comprehensive income for the period			**15.3**		**15.3**	**0.3**	**15.6**
Total comprehensive income for the period, excluding transactions with the company's owners			**15.3**	**433.2**	**448.5**	**0.3**	**448.8**
Transactions with the Group's owners							
Dividends paid to Parent Company shareholders				-144.9	-144.9	-	-144.9
Acquisition/divestment of participation in non-controlling interests				5.1	5.1	-5.4	-0.3
Total Transactions with the Group's owners	**-**	**-**	**-**	**-139.8**	**-139.8**	**-5.4**	**-145.2**
Equity, closing balance, 31 Dec. 2019	**231.9**	**946.0**	**227.2**	**2,370.5**	**3,775.6**	**0.0**	**3,775.5**

Consolidated cash flow statement

1 Jan. – 31 Dec., SEKm	Note	2019	2018
Operating activities	2, 18		
Earnings before tax		558.4	561.9
Depreciation/amortization and impairment of assets		268.5	164.5
Adjustment for items not included in cash flow	28	10.0	-26.3
Income tax paid		-123.2	-185.8
Cash flow from operating activities before changes in working capital		**713.7**	**514.3**
Cash flow from changes in working capital			
Increase(-)/decrease(+) in inventories		51.6	8.1
Increase(-)/decrease(+) in operating receivables		144.1	-1.5
Increase(-)/decrease(+) in operating liabilities		16.2	-86.9
Cash flow from operating activities		**925.6**	**434.0**
Investing activities			
Acquisitions of tangible non-current assets		-210.2	-153.2
Divestments of tangible non-current assets		5.3	10.7
Acquisitions of intangible assets		-29.9	-65.0
Acquisitions of subsidiary companies/businesses, net effect on liquidity	5	-37.0	-419.8
Divestments of financial assets		-1.9	-1.7
Cash flow from investing activities		**-273.7**	**-629.0**
Financing activities			
Dividends paid to Parent Company shareholders		-144.9	-202.9
Dividends paid to non-controlling holding		-	-29.6
Change in interest-bearing liabilities	28	-429.3	178.9
Cash flow from financing activities		**-574.1**	**-53.5**
Cash flow for the year		77.8	-248.6
Cash and equivalents at beginning of the year		165.0	410.0
Exchange rate difference in cash and equivalents		0.0	3.6
Cash and equivalents at end of the year		**242.8**	**165.0**
Interest paid		-49.0	-49.6
Interest received		2.3	3.3

Income Statement, Parent Company

1 Jan. – 31 Dec., SEKm	Note	2019	2018
Net sales	3	65.5	59.2
Gross profit		**65.5**	**59.2**
Administrative expenses	9	-93.5	-70.8
Other operating income	6	1.4	1.3
Other operating expenses	7	-	-
Operating profit	**8**	**-26.6**	**-10.3**
Result from financial items:			
Profit from participations in Group companies	11	21.4	10.3
Profit from participations in associated companies	15	-	-
Other interest income and similar profit/loss items	11	91.3	63.4
Interest expense and similar profit/loss items	11	-43.1	-53.3
Profit after financial items		**43.0**	**10.2**
Appropriations			
Difference between depreciation/amortization according to plan and reported depreciation/amortization		-	0.1
Group contributions received		190.7	194.3
Group contributions paid		-99.1	-84.5
Earnings before tax		**134.7**	**120.0**
Taxes	12	-24.3	-25.1
Profit for the year		**110.4**	**95.0**

Statement of comprehensive income, Parent Company

Items reallocated to, or that can be reallocated to profit for the year		
Profit for the year	110.4	95.0
Other comprehensive income for the year	-	-
Other comprehensive income for the year	**-**	**-**
Comprehensive income for the year	**110.4**	**95.0**

Balance Sheet, Parent Company

As per 31 Dec., SEKm	Note	2019	2018
Assets			
Non-current assets			
Intangible non-current assets	13	11.1	21.6
Tangible non-current assets	14	2.0	3.3
Financial non-current assets:			
Participations in Group companies	27	2,251.1	2,183.3
Participations in associated and jointly controlled companies	15	1.0	1.0
Receivables from Group companies	16	1,812.6	2,289.9
Deferred tax assets	12	6.8	7.1
Other receivables		0.0	0.0
Total financial non-current assets		**4,071.5**	**4,481.2**
Total non-current assets		**4,084.6**	**4,506.1**
Current assets			
Current receivables:			
Current tax assets		-	15.7
Receivables from Group companies	16	72.5	74.6
Prepaid expenses and accrued income		4.2	3.0
Other receivables		0.0	0.0
Total current receivables		**76.7**	**93.4**
Cash and equivalents		159.1	27.7
Total current assets		**235.8**	**121.1**
Total assets		**4,320.4**	**4,627.2**
Shareholders' equity and liabilities			
Equity	19		
Restricted equity:			
Share capital (57,968 thousand shares)		231.9	231.9
Statutory reserve		55.3	55.3
Non-restricted equity:			
Share premium reserve		890.7	890.7
Accumulated profit		237.0	287.0
Profit for the year		110.4	95.0
Total shareholder´s equity		**1,525.3**	**1,559.8**
Untaxed reserves			
Accumulated depreciation/amortization in addition to plan		0.3	0.3
Total untaxed reserves		**0.3**	**0.3**
Non-current liabilities			
Liabilities to credit institutions	21	1,893.1	2,156.5
Liabilities to Group companies		853.0	839.0
Deferred tax liabilities	12	0.0	0.0
Other liabilities		9.3	25.1
Total non-current liabilities		**2,755.4**	**3,020.6**
Current liabilities			
Liabilities to Group companies		0.4	5.5
Trade and other payables		11.0	14.7
Current tax liabilities		0.6	-
Other liabilities		11.3	7.7
Accrued expenses and prepaid income	23	16.3	18.6
Total current liabilities		**39.5**	**46.5**
Total equity, untaxed reserves and liabilities		**4,320.4**	**4,627.2**

Statement of changes in equity, Parent Company

	Restricted equity		*Non-restricted equity*			
2018, SEKm	**Share capital**	**Statutory reserve**	**Share premium reserve**	**Accumulated profit**	**Profit for the year**	**Total shareholders' equity**
Equity, opening balance, 1 Jan. 2018	231.9	55.3	890.7	331.5	164.9	1,674.2
Adjustment in accordance with IFRS 9, after tax				-6.4		-6.4
Profit for the year					95.0	95.0
Other comprehensive income for the year					-	-
Comprehensive income for the year					**95.0**	**95.0**
Appropriation of profit				164.9	-164.9	-
Transactions with the Group's owners						
Option premium paid			0.0			0.0
Dividend				-202.9		-202.9
Other changes in net wealth				-0.1		-0.1
Equity, closing balance, 31 Dec. 2018	**231.9**	**55.3**	**890.7**	**287.0**	**95.0**	**1,559.8**

	Restricted equity		*Non-restricted equity*			
2019, SEKm	**Share capital**	**Statutory reserve**	**Share premium reserve**	**Accumulated profit**	**Profit for the year**	**Total shareholders' equity**
Equity, opening balance, 1 Jan. 2019	231.9	55.3	890.7	287.0	95.0	1,559.8
Profit for the year					110.4	110.4
Other comprehensive income for the year					-	-
Comprehensive income for the year					**110.4**	**110.4**
Appropriation of profit				95.0	-95.0	-
Transactions with the Group's owners						
Dividend				-144.9		-144.9
Equity, closing balance, 31 Dec. 2019	**231.9**	**55.3**	**890.7**	**237.0**	**110.4**	**1,525.3**

Cash flow statement, Parent Company

1 Jan. – 31 Dec., SEKm	Note	2019	2018
Operating activities			
Profit after financial items		43.0	10.2
Depreciation/amortization and impairment of assets		23.1	0.9
Adjustment for items not included in cash flow	28	38.6	-5.2
Income tax paid		-23.5	-25.7
Cash flow from operating activities before changes in working capital		**81.2**	**-19.8**
Cash flow from changes in working capital			
Increase(-)/decrease(+) in operating receivables		111.8	153.1
Increase(-)/decrease(+) in operating liabilities		-8.6	30.2
Cash flow from operating activities		**184.5**	**163.5**
Investing activities			
Acquisitions of intangible assets		-12.2	-0.3
Acquisitions/divestments of tangible non-current assets		0.9	-18.0
Investments in financial assets		-	-627.6
Divestments of financial assets		404.3	-
Cash flow from investing activities		**393.0**	**-645.9**
Financing activities			
Option premium		-	-
Dividends paid		-144.9	-202.9
Change in interest-bearing liabilities	28	-301.1	463.0
Cash flow from financing activities		**-446.0**	**260.1**
Cash flow for the year		131.4	-222.3
Cash and equivalents at beginning of the year		27.7	250.0
Cash and equivalents at end of the year		**159.1**	**27.7**
Dividends received		21.4	10.3
Interest received		62.8	54.9
Interest paid		-43.9	-41.3

NOTE 1

Accounting principles

Agreement with standards and legislation

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary accounting rules for groups has also been applied.

Valuation principles applied in the preparation of the consolidated financial accounts

Assets and liabilities are reported at historical cost with the exception of certain financial assets and liabilities, which are reported at fair value. Financial assets and liabilities measured at fair value consist of derivative instruments, unlisted shares and conditional purchase considerations.

Functional currency and reporting currency

The functional currency of the Parent Company is SEK and this is also the reporting currency of the Group. Consequently, the financial accounts are presented in SEK. All amounts are rounded off to the nearest thousand unless otherwise stated.

Assessments and estimates in the financial accounts

Preparation of the financial accounts in accordance with IFRS requires management making assessments, estimations and assumptions that affect the application of the accounting principles and the figures reported for assets, liabilities, income and expenses. The actual outcome may deviate from these estimations and assessments. The estimations and assessments are reviewed regularly. Changes in estimations are reported in the period in which they are made if they only affect that period, or in the period in which they are made and future periods if they affect both the period concerned and future periods. Assessments made by management in the application of IFRS that have a significant effect on the financial statements and estimates that may cause material adjustments to the financial statements of the ensuing year are described in greater detail in Note 29.

Changes in accounting principles

Amended accounting principles necessitated by new or amended IFRS are stated below. Other changes to IFRS applicable as of 1 January 2019 have had no material effect on the Group's reporting.

IFRS 16 Leases

The Group applies IFRS 16 Leases as of 1 January 2019. Consequently, the Group has changed its accounting principles for lease agreements in accordance with the following. The Group has chosen to apply the modified retroactive approach during the transition, meaning that the comparative year has not been recalculated in accordance with IFRS 16.

IFRS 16 introduced a uniform lease accounting model for lessees. A lessee reports a right-of-use asset, representing the entitlement to use the underlying asset, and a lease liability, representing an obligation to pay leasing fees. There are exemptions for short-term leases and leases of low-value assets. The reporting for lessors is similar to the current standard, that is, lessors continue to classify leases as financial or operational leasing.

IFRS 16 Leases has replaced existing IFRSs related to recognition of leases, such as IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Definition of leasing

Previously, the Group determined whether an agreement involved leasing in accordance with IFRIC 4 Determining Whether an Arrangement Contains a Lease. As of 1 January 2019, the Group assesses whether an agreement involves leasing based on the definition of leases in IFRS 16.

Leasing agreements where the Group is the lessee

Previously, the Group classified leases as operational or financial leases based on whether the lease transferred to the Group the significant risks and rewards entailed by ownership of the underlying asset. Operational leases were not reported as assets and liabilities in the statement of financial position and a leasing/rental expense was reported on a straight-line basis over the term of the lease. In accordance with IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leasing agreements, including leases that previously classified as operational, while depreciation and interest expenses are reported in the Income Statement and Statement of other comprehensive income. Exceptions have been made for the agreements mentioned below, with remaining lease terms of at most 12 months and for low-value leases (with an underlying asset value of < SEK 50 thousand).

Leases previously classified as operational leases in accordance with IAS 17

On transition, the lease liabilities were valued at the present value of the remaining lease fees, discounted by the Group's marginal borrowing rate on the initial date of application (1 January 2019). The right-of-use assets were valued at the carrying amount as if IFRS 16 had been applied from the starting date of the lease based on the marginal borrowing rate applicable on the initial accounting date.

The Group has chosen to apply the following relief rules for former operational leases on transition to IFRS 16.

- A single discount rate has been applied to a portfolio of leases with fairly similar characteristics.
- Right-of-use assets and lease liabilities have not been reported for leases for which the term of the lease ends within 12 months or sooner following the transition period (short-term leases).
- Initial direct expenses from the valuation of the right-of-use assets have been excluded on the initial date of application.
- Assessments have subsequently been made in determining the term of the lease as to whether the agreement includes opportunities to extend or terminate the lease.

IFRS 16 has had no material effect on the Group's financial leases.

Impact on the financial statements

The foremost effect in connection with the change is that the Group reports new assets and liabilities for operational leases relating to inventories, factory facilities and vehicles. As per 1 January 2019, the Group has reported additional lease liabilities of SEK 386 million, rights in use assets of SEK 361 million and deferred tax assets of SEK 8 million, while prepaid leasing expenses were reduced by SEK 12 million, which reduced shareholders' equity by SEK 29 million net as of 1 January 2019. The right-of-use assets per 31 December are reported in their entirety as tangible non-current assets, with SEK 281.5 million classified as buildings and SEK 56.8 million as machinery and equipment. For further information on how the financial statements have been affected by IFRS 16, see Note 29.

Operating segment reporting

Operating segments are parts of the Group that conduct operations from which it can generate income and incur expenses and for which independent financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the highest executive decision maker. The highest executive decision maker is the function responsible for allocating resources and assessing the performance of the operating segments. In this context, the Group has identified the President and CEO and Group management as the highest executive decision maker. Inwido's operating segments comprise of two segments, North and South. See Note 4 for further details of the operating segments.

In the segment reporting, IAS 17 is still applied for leases rather than IFRS 16, which is a difference between the accounting principles applied in the consolidated accounts and those applied for the segments.

Classification

Non-current assets and non-current liabilities essentially consist of amounts that are expected to be recovered or paid more than 12 months after the balance sheet date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or paid within 12 months of the balance sheet date.

Consolidation principles

Subsidiaries

Subsidiaries are companies over which Inwido AB has a controlling influence. A controlling influence exists if the Parent Company has an influence over the target of the investment, is exposed or has rights to variable returns on its commitment and can exercise its influence over the investment to affect the return. In assessing whether a controlling influence exists, shares potentially conveying voting rights are taken into account as is the existence of de facto control.

Acquisitions

Subsidiaries are reported in accordance with the acquisition method. The method entails acquisitions of subsidiaries being viewed as transactions through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value of the acquired identifiable assets and assumed liabilities, as well as any possible non-controlling interests on the date of acquisition. Transaction expenses that arise, with the exception of transaction expenses attributable to the issue of equity instruments or liability instruments, are recognized directly in profit/loss for the year.

For business combinations for which payment made, possible non-controlling interests and fair value of previously owned participations (in the event of gradual acquisitions) exceed the fair value of the acquired assets and assumed liabilities that are recognized separately, the difference is recognized as goodwill. When the difference is negative, what is known as a bargain purchase, this is recognized directly in profit for the year. Payment made in connection with the acquisition does not include payments that relate to the settlement of previous business connections. This type of settlement is recognized in profit.

Conditional purchase prices are recognized at fair value at the point of acquisition. In cases where the conditional purchase price is classified as an equity instrument, no revaluation or settlement is carried out under equity. Other conditional purchase prices are revalued on each report date and the change is recognized in profit/loss for the year.

Acquisitions that do not relate to 100 percent of the subsidiary give rise to non-controlling interests. There are two options for reporting non-controlling interests. The two options are to recognize the percentage of non-controlling interests that makes up proportional net assets, or to recognize non-controlling interests at fair value, which means that non-controlling interests form a percentage of goodwill. The choice between the two alternatives for recognizing non-controlling interests can be made on a case by case basis. For acquisitions that are made in stages, goodwill is determined on the day the controlling interest arises. In transactions with non-controlling interests, in connection with acquisitions or on other occasions, the company has chosen to apply the Present Access Method (PAM) for those transactions in which non-controlling interests remain exposed to the return associated with their holding. This represents a selection of accounting policy for such transactions. PAM entails a liability being recognized at the present value of the amount for which the shares will be redeemed. The item is offset against shareholders' equity attributable to Parent Company shareholders (retained earnings). For futures and equity relating to options, subsequent changes in the carrying amount of the liability are recognized in the income statement.

Acquisitions from non-controlling holdings

Acquisitions from non-controlling interests are recognized as transactions under shareholders' equity, i.e.between the Parent Company's owner (under profit brought forward) and non-controlling interests. Consequently no goodwill arises as a result of these transactions. The change in non-controlling interests is based on their proportional share of net assets.

Sales to non-controlling interests

Sales to non-controlling interests where a controlling interest remains are recognized as transactions under shareholders' equity, i.e.between the Parent Company's owner and non-controlling interests. The difference between proceeds received and the non-controlling interest's proportional share of acquired net assets is reported under retained profit.

Associated companies

Associated companies are those in which the Group has a significant, but not controlling, influence over operational and financial control, commonly through holdings corresponding to between 20 and 50 percent of votes. From the point at which a significant influence is obtained, holdings in associated companies are reported in the consolidated accounts in accordance with the equity method. The equity method entails the value of holdings in associated companies reported in the consolidated accounts being equivalent to the Group's share of the associated companies' equity, as well as consolidated goodwill and any other consolidated surplus or deficit. In the consolidated income statement, participations in the earnings of associated companies include the Group's participations after tax in the net earnings of associated companies, adjusted for possible amortization/depreciation and impairment or reversal of acquired surpluses or deficits. Dividends received from an associated company decrease the reported value of the investment. The Group's participation in the other comprehensive income of its associated companies is reported as a separate item in the consolidated statement of comprehensive income. Any discrepancy at the point of acquisition between the cost of the holding and the owning company's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities is reported in accordance with IFRS 3 Business combinations. Transaction expenses that arise, with the exception of transaction expenses attributable to the issue of equity instruments or liability instruments, are included under expenses. Where the Group's share of losses reported by the associated company exceeds the reported value of the Group's holdings, the value of the holdings is reduced to zero. Losses are also offset against non-current balances without security, the financial significance of which forms part of the owning company's net investment in the associated company. Continued losses are not recognized unless the Group has given guarantees to cover losses arising in the associated company. The equity method is applied until the time the significant influence ceases. Intragroup receivables and liabilities, income and expenses and unrealized gains or losses arising from intragroup transactions between Group companies are eliminated in full when preparing the consolidated accounts. Unrealized gains arising from transactions with associated companies and joint ventures are eliminated to the extent of the Group's participating interest in the companies. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no indication that any write-down is necessary.

Foreign currency

Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rate in force on the transaction date. The functional currency is the currency of the primary economic environments in which the Group's companies carry out their business. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate in force at the balance sheet date. Exchange rate differences arising from the conversions are recognized in profit/loss for the year. Non-monetary assets and liabilities recognized at their historical costs are translated at the exchange rate applicable at the time of the transaction. Non-monetary assets and liabilities recognized at fair value are converted to the functional currency at the rate in effect at the time of the fair value assessment.

Foreign businesses financial statements

Assets and liabilities in foreign businesses, including goodwill and other groupwise surplus or deficit values, are translated from the foreign operation's functional currency into the Group's reporting currency, SEK, at the exchange rate applicable on the balance sheet date. Income and expenses in a foreign operation are translated into SEK at an average exchange rate approximating the currency exchange rates applicable on the relevant transaction dates. Translation differences arising in connection with the translation of foreign operations are reported in other comprehensive income and accumulated in a separate component in equity titled translation reserve.

Income

Sales of windows and doors

The Group's sales consist mainly of sales doors and windows manufactured based on a specific customer order where the customer has specified the model, dimensions, colour, materials, type of glass in windows, etc. Inwido is also entitled to full payment even if customers cancel their orders. Accordingly, the criteria for revenue recognition in accordance with IFRS 15 are met in principle. The manufacturing time for each individual order is, however, very short, meaning that Inwido, for practical reasons, does not recognize the revenue until the goods have been delivered to the customer, because the difference between revenue recognition over time and revenue recognition on delivery would not give rise to a significant difference in the Group's recognition of revenue from sales of windows and doors. Revenues are recognized after deductions for any discounts and volume-based customer bonuses.

Sales of windows and doors with installation

On installation of windows and/or doors in the customer's property, the criteria for revenue recognition over time in IFRS 15 are fulfilled because Inwido's performance improves a property controlled by the customer. The degree of completion is measured based on the number of windows or doors installed in relation to the total number of doors or windows to be installed.

Leasing

Principles applied as of 1 January 2019

When an agreement is entered into, the Group assesses whether the agreement is, or contains, a lease arrangement. An agreement is, or contains, a lease arrangement if it transfers the right to determine the use of an identified asset for a certain period in exchange for compensation.

At the start of the lease or when reviewing a lease containing several components – leasing and non-leasing components – the Group distributes the compensation, in accordance with the agreement, between each component based on the stand-alone price. However, for leases of buildings and surrounding land where the Group is a lessee, the Group has chosen not to distinguish non-leasing components and recognizes leasing and non-leasing components paid in fixed amounts as a single leasing component.

Leasing agreements where the Group is the lessee

The Group recognizes a right-of-use asset and a lease liability on the commencement date of the lease. The right-of-use asset is initially valued at cost, which consists of the initial value of the lease liability plus leasing fees paid on or before the commencement date plus any initial direct expenses. The right-of-use asset is depreciated on a straight-line basis from the commencement date until the end of the asset's useful life or the end of the lease period, whichever is sooner, which, for the Group, is normally the end of the lease term. In rarer cases, where the cost of the right-of-use asset reflects the Group's intention to exercise an option to purchase the underlying asset, the asset is depreciated until the end of its useful life.

The lease liability – which is divided between long-term and short-term – is initially valued at the present value of the remaining lease fees over the assessed term of the lease. The lease period is the non-cancellable period plus additional periods in the agreement if it is deemed reasonably certain on the commencement date that these will be utilized.

Leasing fees are normally discounted at the Group's marginal borrowing rate, which, in addition to the Group's/Company's credit risk, reflects the term of each lease, the currency involved and the quality of the underlying asset as collateral. However, in cases where the implicit interest rate of the lease can easily be determined, that interest rate is applied, which is the case for some of the Group's vehicle leases.

The lease liability consists of the present value of the following fees over the assessed term of the lease.

- fixed fees, including any explicitly referred to as such,
- variable leasing fees linked to an index or price ("interest-linked (including fees tied to STIBOR or EURIBOR rates)"), initially valued using the index or price ("rate") applicable on the commencement date,
- any residual value guarantees expected to be paid,
- the exercise price for a call option that the Group is reasonably certain that it will be able to exercise and
- penalties payable on termination of the lease agreement if the estimated term of the lease suggests that such termination will occur.

The value of the liability is increased by the interest expense for each period and reduced by the lease payments. Interest expense is calculated by multiplying the value of the liability by the discount rate.

The lease liability for the Group's premises with indexed rent is calculated based on the rent applicable at the end of each reporting period. At this time, a corresponding adjustment is made in the liability as is made in the carrying amount for the right-of-use asset. Correspondingly, the values of the liability and the asset are adjusted in connection with the re-assessment of the term of the lease. This is performed when the termination date of the previously assessed term of the lease has passed, when significant events occur or when circumstances under the Group's control change significantly, affecting the applicable assessment of the term of the lease.

The Group presents right-of-use assets and lease liabilities as separate items in the statement of financial position.

For leases with a term of 12 months or less, or with an underlying asset of low value (less than SEK 50 thousand), no right-of-use asset or lease liability are reported. Leasing fees for such leases are expensed on a straight-line basis across the term of the lease.

Operational leases reported before 1 January 2019

Costs relating to operating lease agreements are recognized in profit or loss on a linear basis over the leasing period. Benefits received in connection with the signature of an agreement are recognized in profit or loss as a reduction of the lease payments on a linear basis over the leasing period. Contingent rents are expensed in the periods in which they arise.

Financial leases agreements recognized before 1 January 2019

The minimum lease payments are apportioned between interest expense and reduction of the outstanding liability. The interest expense is distributed over the lease term so that each accounting period is assigned an amount corresponding to a fixed interest rate for the liability in the respective period. Contingent rents are expensed in the periods in which they arise.

Financial income and expenses

Financial income consists of interest income on invested funds, dividend income, interest expenses on leases, as well as gains on changes in the value of financial assets/liabilities measured at fair value through the Income Statement. Interest income from financial instruments is recognized according to the effective interest method. The effective interest rate is the interest rate that precisely discounts the estimated future deposits and disbursements across the expected maturity of the financial instrument at the reported gross value of a financial asset or the accrued acquisition value of a financial liability. Financial expenses consist of interest expenses on loans, the effect of the resolution of present value calculations for provisions, value losses on financial assets/liabilities valued at fair value via profit and the impairment of financial assets. Borrowing expenses are recognized in profit/loss applying the effective interest method, except where they are directly attributable to the acquisition, construction or production of assets that take considerable time to complete for their intended use or for sale, in which case they are included in the cost of the assets. No interest is currently expensed, since, in the Group's assessment, it does not have any assets that qualify in accordance with IAS 23. Exchange rate gains and losses are reported net.

Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognized in profit or loss unless the underlying transaction is recognized in other comprehensive income or in shareholders' equity, whereby the associated tax effect is recognized outside profit or loss. Current tax is tax due for payment or receipt in respect of the financial year, using tax rates decided or virtually decided upon on the balance sheet date. Adjustment of current tax related to earlier periods is also included. Deferred tax is calculated in accordance with the balance sheet method, proceeding on the basis of temporary differences between the carrying amounts and taxable values of assets and liabilities. Temporary differences are not taken into consideration that arise on initial recognition of goodwill or of assets and liabilities that are not business combinations affecting reported or taxable profit at the time of the transaction. Nor are temporary differences taken into account that are related to investments in subsidiaries and associated companies which are not expected to be reversed in the foreseeable future. The valuation of deferred tax provided is based on how carrying amounts of assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates and regulations decided or virtually decided upon at the balance sheet date. Deferred tax receivables for tax-deductible temporary differences and loss carryforwards are recognized only to the extent it is likely that these items will be able to be utilized. The value of deferred tax receivables is derecognized when it is no longer deemed likely that they can be utilized. Any additional income tax arising from a dividend is recognized at the same time as the dividend is recognized as a liability.

Financial instruments

Financial instruments reported in the statement of financial position include, on the asset side, cash and cash equivalents, trade receivables, unlisted shares, derivatives and other receivables. On the liability side, there are accounts payable, loan liabilities, derivatives and liabilities for conditional purchase considerations.

Recognition and measurement on initial accounting

Trade receivables and debt instruments issued are reported when issued. Other financial assets and financial liabilities are recognized when the Group becomes party to the contractual terms of the instrument. Financial instruments are initially recognized at fair value with additions/deductions for transaction expenses, except for instruments measured at fair value on an ongoing basis through the Income Statement, for which transaction expenses are instead expensed as they arise. Trade receivables (without a significant financing component) are initially valued at the transaction price determined in accordance with IFRS 15.

Classification and subsequent valuation of financial assets

Under IFRS 9, a financial asset is classified on initial recognition as valued either at amortized cost, at fair value through other comprehensive income (debt instrument investment), at fair value through other comprehensive income (equity investment), or fair value through the Income Statement. The following describes how Inwido's various holdings of financial assets have been classified:

Holdings of shares and participations in unlisted companies

The Group's holdings of shares and participations in unlisted companies are valued at fair value through the Income Statement.

Derivative assets

Derivatives are reported at fair value through the Income Statement as Inwido does not apply hedge accounting.

Other financial assets

All other financial assets, which constitute the majority of the Group's financial assets, are reported at amortized cost. This is because they are held within the framework of a business model that has the objective of receiving the contractual cash flows while the cash flows from the assets consist solely of payments of principal and interest.

Classification and subsequent valuation of financial liabilities

Financial liabilities are classified as measured at amortized cost or measured at fair value through profit or loss. The financial liabilities that are measured at fair value through the Income Statement consist of conditional purchase considerations for business combinations and derivatives of negative fair value for Inwido. All other financial liabilities are reported at amortized cost applying the effective interest method.

Derecognition of financial assets and financial liabilities

The Group derecognizes a financial asset from the statement of financial position when the contractual right to cash flows from the financial asset ceases or if the Group transfers the right to receive the contractual cash flows through a transaction whereby all material risks and benefits of ownership are transferred. A financial liability is derecognized from the statement of financial position when the commitments specified in the contract are fulfilled, cancelled or cease to apply. The Group also derecognizes a financial liability when the contractual terms are modified and the cash flows from the modified liability are significantly different. In that case, a new financial liability is recognized at fair value based on the modified terms.

Impairment

Carrying amounts of the Group's assets are reviewed at each balance sheet date to assess whether there is any indication of impairment. IAS 36 is applied in impairment testing for assets other than financial assets which are tested in accordance with IFRS 9 (IAS 39 for the comparison year), inventories and deferred tax assets. For the exceptions stated above, the carrying amount is assessed according to the relevant standard.

Impairment tests for tangible and intangible assets, and holdings in subsidiaries, associated companies, joint ventures, etc. If a need for impairment is indicated, the recoverable amount of the assets calculated in accordance with IAS 36 (see below). The recoverable amount for goodwill, other intangible assets with indefinite useful lives and intangible assets that are not yet ready for use is calculated annually. If, in connection with impairment testing, largely independent cash flows cannot be established for an individual asset, assets are grouped at the lowest level at which largely independent cash flows can be identified – this is known as a cash generating unit. Impairment is recognized when an asset's or cash generating unit's carrying amount exceeds the recoverable amount. Impairment is charged to the statement of comprehensive income. Impairment of assets attributable to a cash generating unit is primarily allocated to goodwill. After this, a proportional impairment of all other assets included in the unit is implemented.

The recoverable amount is the higher of fair value less expenses to sell and value in use. Upon calculating the value in use, future cash flows are discounted at a discount rate that takes into account risk-free interest and the risk associated with the specific asset.

Impairment is reversed if there is an indication that it is no longer necessary, and there has been a change in the assumptions which formed the basis of the calculation of the recoverable amount. However, impairment of goodwill is never reversed. A reversal is only made to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that the asset would have had, with a deduction for amortization, if no write-down had been carried out.

Impairment of financial assets

For the financial assets that are valued at amortized cost, a provision for expected loan losses is calculated and recognized. The provision for credit losses is initially calculated and reported based on expected credit losses over a 12-month period. If the credit risk has increased significantly since the financial asset was first recognized, a provision is calculated and recognized for credit losses based on expected credit losses for the entire remaining maturity of the asset. For trade receivables not including a significant financing component, a simplified method is applied and the provision for credit losses is calculated and recognized on the basis of expected credit losses for the entire remaining term, regardless of whether the credit risk has increased significantly or not. The calculation of expected credit losses is based mainly on data from historical losses for similar receivables and counterparties. The historical data is evaluated and adjusted continuously based on the current situation and the Group's expectation of future events.

Tangible non-current assets

Owned assets

Tangible non-current assets are stated in the Group at cost less accumulated depreciation and any write-downs. The cost includes the purchase price and expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Borrowing expenses directly attributable to the purchase, construction or production of assets that take considerable time to complete for the intended use or for sale are included in cost. Accounting principles for impairment are described on the following page. The cost of non-current assets manufactured in-house includes expenses for materials, expenses for employee benefits, if applicable, other manufacturing expenses considered directly attributable to the non-current asset and estimated costs of dismantling and removing the asset and restoring the site or area where they are located. Tangible assets comprising parts with different useful lives are treated as separate components of tangible assets.
The carrying amount for a tangible non-current asset is derecognized from the statement of financial position on scrapping or sale, or when no future economic benefits are expected from the use, scrapping or sale of the asset.
Gains or losses arising from the sale or scrapping of an asset constitute the difference between the sale price and the asset's carrying amount less direct sales costs. Gains and losses are recognized as other operating income/expense.

Subsequent expenses
Subsequent expenses are only added to the cost if it is probable that the future economic benefits associated with the asset will flow to the company and the cost can be measured reliably. All other subsequent expenses are expensed in the period they arise. The question of whether a subsequent expense is attributable to the replacement of identified components, or parts thereof (whereby such expenses are capitalized) plays a decisive role in determining if that expense should be added to cost. Even in cases where new components are constructed, the expense is added to the cost. Any non-depreciated carrying amounts for replaced components, or parts of components, are scrapped and derecognized in connection with replacement. Repairs are expensed as they are incurred.

Depreciation principles
Depreciation is carried out on a linear basis over the asset's estimated useful life. Leased assets are also depreciated over their estimated useful life or over the agreed lease term, whichever is shorter. The Group applies the component approach, whereby the component's assessed useful life forms the basis for depreciation.

Estimated useful lives:

• Buildings	25–50 years
• Land improvements	20–27 years
• Machinery and technical plant	10 years
• Equipment, tools, fixtures and fittings	3–5 years

Land is not depreciated. Depreciation methods used and the residual value and useful life of assets are reviewed at each year-end.

Intangible assets
Goodwill
Goodwill represents the difference between the cost of the business combination and the fair value of acquired assets, assumed liabilities and contingent liabilities. Goodwill is stated at cost less any accumulated impairment. Goodwill is distributed to cash generating units and is tested annually to determine possible impairment needs. Goodwill arising from acquisitions of associated companies is included in the carrying amount for participations in associated companies. For business combinations where the cost is less than the net value of the acquired assets and assumed liabilities and contingent liabilities, the difference is recognized directly in profit or loss.

Product development expenses
Development expenses, where research results or other knowledge are applied to achieve new or improved processes, are recognized as an asset in the statement of financial position if the product or process is technically and commercially feasible and the company has sufficient resources to complete development and to then use or sell the non-current asset. Most of the Group's product expenses pertain to unique customer adaptations or updating existing products in line with technical advances. For such expenses, the criteria for capitalization stipulated by IAS 38 are not considered to have been met and the expenses are recognized as expenses against profit/loss for the year in which they are incurred.

Market and customer-based assets
Market and customer-based assets primarily include valued customer relationships and brands identified in connection with acquisitions. Customer relations are recognized at cost less accumulated amortization and impairment. Brands acquired by the Group are recognized at cost less accumulated depreciation (see below) and any impairment alternatively considered to have an indefinite useful life where they are recognized at cost less accumulated impairment. For brands with an indefinite useful life, impairment testing is performed at least once annually.

Other intangible assets
Other intangible assets mainly include customer agreements and software acquired by the Group. These assets are recognized at cost less accumulated amortization and impairment. Expenses for internally generated goodwill and internally generated trademarks are recognized in profit or loss as they are incurred.

Subsequent expenses
Subsequent expenses for capitalized intangible assets are only recognized as assets in the statement of financial position if they increase the future economic benefits for the specific assets to which they refer. All other expenses are expensed as they are incurred.

Depreciation principles
Amortization is charged to statement of comprehensive income on a linear basis over the intangible assets' estimated useful lives, provided the useful life is not indefinite. The useful lives of assets are reassessed at least once per year. Goodwill and brands with an indefinite useful life or that are not yet ready for use are tested for possible impairment annually and as soon as indications arise that the asset in question has decreased in value. Intangible assets with a definite useful life are depreciated from the point at which they are available for use.

The estimated useful lives are:

• Customer agreements	5 years
• Software	5–10 years
• Development expenditure generated internally	5-10 years
• Customer relations	5–15 years
• Brands	Indefinite useful life

Inventories
Inventories are stated at the lower of cost and net realizable value. The cost for inventories is based on the first-in first-out principle (FIFO) and includes costs arising upon acquisition of the inventories and their transport to their current location and condition. For manufactured goods and work in progress, the purchase value includes a reasonable proportion of indirect expenses based on normal capacity. Net realizable value is the estimated sales price in the ordinary course of business, less estimated expenses for completion and bringing about a sale.

Share capital
Dividends
Dividends are recognized as a liability once approved by the Annual General Meeting.

Employee benefits
Defined contribution plans
For salaried employees in Sweden, defined benefit pension commitments for retirement and family pension under the ITP 2 plan are secured through an insurance policy with Alecta. Consequently, the ITP2 pension plan insured through a policy with Alecta is recognized as a defined contribution plan. Other pension plans in the Group are defined contribution pension plans. Defined contribution pension plans are those for which the Group only pays fixed fees and is under no obligation to pay additional fees if plan assets are insufficient. Consequently the employee bears the risk regarding future pension levels. Obligations regarding defined contribution plans are recognized as an expense in the statement of comprehensive income at the rate at which they are earned by employees performing services for the company.

Remuneration on termination of employment
An expense for remuneration in connection with termination of employment for employees is recognized only if the company is demonstrably obliged in a formal detailed plan to terminate employment ahead of the normal point in time, with no realistic possibility of a retraction. When remuneration is paid as an incentive for voluntary departure, an expense is recognized when the offer has been made and can no longer be withdrawn. The amount is calculated based on a probability calculation regarding the number of employees who will accept the offer.

Short-term employee benefits
Current employee benefits are calculated without discounting and are expensed as the relevant services are received. Expected expenses for profit sharing and bonus payments are recognized as liabilities when the Group has a present legal or constructive obligation to make such payments as a consequence of services being received from employees and that obligation can be calculated reliably.

Options and convertibles programme
Inwido has a warrants programme whereby warrants have been sold to senior executives. The options have been sold at a price equal to the estimated fair value on the acquisition date, meaning that there are no amounts to report as share-based compensation in the balance sheet or in the income statement under IFRS 2. The Group also has a convertible programme in which all employees have been given the opportunity to participate. The convertibles have also been issued at a price equal to fair value on the acquisition date. The convertibles have been split into one part that is debt and another that is equity. The value of the debt portion has been calculated as the fair value of a similar liability not conveying entitlement to conversion. The equity portion represents the difference between the fair value of the convertible as a whole and the estimated fair value of a similar liability not conveying entitlement to conversion.

Provisions
A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. When the effect of the timing of the payment is important, provisions are calculated by discounting the expected future cash flow at a pre-tax interest rate which reflects current market assessments of the time value of money and, if applicable, the risks associated with the liability.

Guarantees
A provision is made for guarantees when the underlying products or services are sold. The provision is based on historical data regarding guarantees and a total appraisal of conceivable outcomes in relation to the probabilities with which those outcomes are associated.

Restructuring
Restructuring provisions are recognized when the Group has adopted a detailed formal restructuring plan and the restructuring has been commenced or publicly announced. No provisions are made for future operating expenses.

Parent Company's accounting principles
The Parent Company has prepared its Annual Report in accordance with the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 of the Swedish Financial Accounting Standards Council, on Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board are also applied.

RFR 2 means that the Parent Company in the Annual Report for the legal entity shall apply all EU-approved IFRS standards and statements as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act (tryggandelagen) and taking into consideration the relationship between accounting and taxation. The recommendation stipulates which exceptions and additions to IFRS shall be applied.

Changes in accounting principles
Amended accounting principles necessitated by new or amended IFRS
The introduction of IFRS 16 has not affected the Parent Company because the Parent Company applies the exception in RFR 2.

New IFRS yet to be applied
New and amended IFRS for future application are not expected to have any significant impact on the consolidated accounts.

Differences between the Group's and Parent Company's accounting principles
The differences between the Group's and Parent Company's accounting principles are shown below. The accounting principles shown below for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements.

Classifications and presentation
The income statement and statement of comprehensive income are produced separately for the Parent Company, whereas for the Group these two reports are combined into a single statement of comprehensive income. In addition the titles 'balance sheet' and 'cash flow statement' are used for the Parent Company for statements that for the Group are titled 'consolidated statement of financial position' and 'consolidated statement of cash flows' respectively. The Parent Company income statement and balance sheet have been prepared in accordance with regulations stipulated in the Annual Accounts Act, while the statement of comprehensive income, summary of changes in equity and cash flow statement is based on IAS 1.

Presentation of Financial Statements and IAS
Cash Flow Statements
The differences compared with the consolidated statements that are evident in the Parent Company's income statement and balance sheet comprise mainly the reporting of financial income and expenses, non-current assets and equity.

Subsidiaries, associated companies and joint ventures
Investments in subsidiaries, associated companies and joint ventures are accounted for in the Parent Company in accordance with the cost method. This means that transaction expenses are included in the carrying amount for holdings in subsidiaries, associated companies and joint ventures. In the consolidated accounts, transaction expenses attributable to subsidiaries are recognized directly in profit/loss as they are incurred. Conditional purchase prices are valued based on the likelihood that the purchase price will be paid. Possible changes in the provision/receivable are added to/reduce the cost. In the consolidated accounts, conditional purchase prices are recognized at fair value with changes in value over profit/loss. Bargain purchases that correspond to expected future losses and expenses are resolved over the anticipated periods during which losses and expenses arise. Bargain purchases that arise due to other reasons are recognized as provisions, to the extent that they do not exceed the fair value of the acquired identifiable non-monetary assets. The portion that exceeds this value is immediately taken up as income. The portion that does not exceed the fair value of the acquired identifiable non-monetary assets is systematically taken up as income over a period that is calculated as the remaining weighted average useful life for the acquired identifiable assets that can be depreciated. In the consolidated accounts, bargain purchases are reported directly in profit/loss.

Untaxed reserves
Untaxed reserves including deferred tax liability are recognized in the Parent Company. In the consolidated accounts however, untaxed reserves are divided into deferred tax and equity.

Group contributions
Group contributions received by the Parent Company from its subsidiaries are reported in the Parent Company according to the same principles as normal dividends from subsidiaries, in other words, as a financial income item in the income statement. Group contributions paid by the Parent Company to its subsidiaries are recognized as an appropriation in the income statement.

Leasing
In accordance with the exemption provided in RFR 2, the Parent Company does not apply IFRS 16. As a lessee, leasing fees are expensed on a straight-line basis across the term of the lease, with no right-of-use assets or lease liabilities therefore being recognized in the Balance Sheet. In the same way as in the consolidated financial statements, leases on buildings are not broken down into leasing and non-leasing components. For underlying assets of this kind, leasing and non-leasing components are instead reported as a single leasing component.

NOTE 2

Financial risks and policy

Through its operations, the Group is exposed to various kinds of financial risks

Financial risks are those involving fluctuations in the Group's earnings and cash flow as a consequence of changes in exchange rates, interest rate levels, and refinancing and credit risks. The Group's financial policy for the management of financial risks has been designed by the Board of Directors and provides a framework of guidelines and regulations in the shape of risk mandates and limits for financing activities. To read more about the company's financial risks, please see the Financial Risks section in the Directors' Report.

Responsibility for the Group's financial transactions and risks is managed centrally by the Parent Company's finance department. The overarching objective for risk management efforts is to provide cost effective financing and to minimize the negative effects of market fluctuations on the Group's earnings.

Liquidity risks

Financing and liquidity risks represent the risk that it will be difficult or costly to refinance loans reaching maturity or that it will not be possible to meet payment obligations due to insufficient liquidity or difficulties in obtaining external financing.

To ensure that the Group always has access to external financing, the finance department shall make sure that commitments to grant credit, both short and long-term, are available. Efforts shall be made to maintain the highest level of cost efficiency possible within the set framework. Inwido's principal financing consists of bank loans based on credit agreements expiring in the period 2022-2024. The largest credit facility of SEK 2,050 million, maturing in 2024, includes an extension option of one year (subject to the lenders' approval). The aforementioned agreement includes financial covenants that are followed up on a quarterly basis. Inwido meets the terms of existing credit agreements.

Consolidated cash and equivalents were SEK 243 million (165) at the end of the period. The Group's cash and equivalents are deposited in banks with credit ratings in the range AA– to BBB– (Standard & Poor's). Available funds, including unutilized credit facilities, amounted to SEK 1,682 million (1,326).

Consolidated borrowings from banks, excluding lease liabilities and utilized overdraft facilities, amounted to a nominal amount of SEK 1,933 million at year-end, with the maturity structure of the loan debt being shown in the table below. At the end of 2019, the average remaining time to maturity on Inwido's long-term financing was slightly less than 4 years.

Maturity structure, financial and operational liabilities – undiscounted cash flows

	2019							2018					
SEKm	Nominal amount, functional currency	0-6 months	6-12 months	2 years	3-4 years	5 years or later	Total	0-6 months	6-12 months	2 years	3-4 years	5 years or later	Total
Bank loans	1,932.7	22.4	22.1	44.6	1,943.0	54.4	2,086.5	25.0	24.7	49.8	2,212.3	65.0	2,376.8
Overdraft facilities	35.8	36.7	0.9	1.8	1.8	-	41.2	61.3	2.3	4.6	4.6	-	72.9
Derivatives	6.6	0.1	0.1	3.2	3.6	0.1	7.1	0.1	1.1	0.4	6.0	0.1	7.6
Trade and other payables	528.7	528.7	-	-	-	-	528.7	454.4	4.2	-	-	-	458.6
Lease liabilities	366.9	42.9	38.9	68.4	112.1	105.1	367.4	-	-	-	-	-	-
Financial lease liabilities	-	-	-	-	-	-	-	0.6	0.5	0.9	1.3	1.5	4.8
Other liabilities	191.4	184.3	1.6	0.0	-	5.8	191.8	282.2	1.9	13.9	-	7.6	305.6
Total		**815.1**	**63.6**	**118.0**	**2,060.6**	**165.4**	**3,222.7**	**823.6**	**34.6**	**69.6**	**2,224.2**	**74.3**	**3,226.4**

Interest rate risk

Interest rate risk represents how changes in market interest rates affect cash flow and the Group's earnings, as well as the value of financial instruments. The fixed interest period is the factor that most affects the interest rate risk. Management of the Group's interest rate risk is centralized, meaning that the central finance department is responsible for identifying and managing interest rate risk in accordance with the finance policy adopted by the Board of Directors. Derivative instruments, such as interest rate swaps, are used to manage interest rate risk by allowing interest rates to be switched from fixed to floating or vice versa. Interest swap contracts are recognized in the Group company whose interest-bearing liabilities are hedged. Net interest paid regarding interest swap agreements is recognized as an interest expense, while net interest received is recognized as interest income.

Essentially, net interest risk in the Group is associated with the Group's interest-bearing financial liabilities, which are listed in the table in Note 21. As per 31 December 2019, the fair value of the swaps amounted to a negative SEK 3.6 million (6.8). The underlying nominal debt amounted to SEK 518 million (497).

As per 31 December 2019, interest-bearing liabilities, excluding financial leasing and overdraft facilities, amounted to SEK 1,933 million (2,201) and the average period of fixed interest, excluding derivatives was approximately 4 months (4). The average period of fixed interest, including derivatives was approximately 14 months (9).

Sensitivity analysis – interest risk

If interest rates had been 1 percentage point higher/lower, with all other variables remaining constant, the interest expense for the year before tax would have been SEK 15 million higher and SEK 4 million lower, respectively, calculated on the average interest-bearing debt in 2019 and without taking existing interest rate derivatives outstanding per 31 December 2019 into account.

If interest rates had been 1 percentage point higher/lower, with all other variables remaining constant, the interest expense for the year before tax would have been SEK 10 million higher and SEK 1 million higher, respectively, calculated on the average interest-bearing debt in 2019 and taking existing interest rate derivatives outstanding per 31 December 2019 into account.

The asymmetric relationship between a higher and a lower interest rate level is due to the fact that the currency loans concerned are covered by negative base rates and that a majority of the loans include a zero-floor clause, which is not the case for interest-rate derivatives.

Interest rates with different maturities and in different currencies can fluctuate differently. These calculations are based on all yield curves shifting in parallel by one percentage point. The Group has a seasonal debt for which the interest rate risk is not calculated due to its short term nature.

Credit risks in trade receivables

The risk that the Group's/business units' customers fail to meet their obligations, that is, that no payment is obtained for trade receivables, constitutes a customer credit risk. Credit checks are performed on the Group's customers with information regarding their financial status being obtained from various credit information agencies. Bank guarantees or other sureties are required for customers with low credit ratings or insufficient credit history. The Group holds global customer credit insurance, meaning that most of the Group's insurable accounts receivable are covered. The credit quality of non-provisioned trade receivables is deemed to be good.

As per the balance sheet date, there were no significant concentrations of credit exposures. At the end of 2019, 17 of the Group's 20 largest insured customers were fully insured and the Group had an 80 percent acceptance rate with the insurance company. The maximum exposure for credit risk is the same as the gross value of the trade and other receivables in the balance sheet.

Specification of trade receivables

	Group 2019		
SEKm	**Carrying amount, invoices**	**Provisions for losses on accounts receivable**	**Carrying amount**
Not overdue	387.8	-0.1	387.7
Overdue 0-60 days	102.0	-2.5	99.5
Overdue 61-180 days	19.7	-3.5	16.2
Overdue 181-365 days	9.5	-5.0	4.5
More than 1 year	16.2	-12.2	4.0
Total trade receivables	**535.1**	**-23.3**	**511.9**

	Group 2018		
SEKm	**Carrying amount, invoices**	**Provisions for losses on accounts receivable**	**Carrying amount**
Not overdue	449.2	-	449.2
Overdue 0-60 days	119.8	-0.9	118.9
Overdue 61-180 days	20.3	-2.1	18.2
Overdue 181-365 days	17.2	-11.1	6.1
More than 1 year	20.1	-17.1	3.0
Total trade receivables	**626.7**	**-31.2**	**595.5**

Provision account for impairment of trade receivables

Group, SEKm	**2019**	**2018**
Opening balance	-31.2	-28.2
Impairment for the year	-10.4	-13.1
Reversal of previous impairments	18.2	10.7
Exchange-rate differences	0.1	-0.7
Closing balance	**-23.3**	**-31.2**

Currency risks

Transaction exposure

The Group applies a finance policy adopted by the Board of Directors. Transaction exposure shall primarily be minimized through internal measures such as matching of flows and choice of invoicing currency. Currency clauses can be used if contractually transparent and possible to follow up, ensuring that the Group is not exposed to any hidden currency risks. Secondarily, currency risks are to be mitigated by means of financial instruments.

Currency hedging is arranged with maturities of up to 12 months and is based on the latest estimates available. Currency hedges must meet the following conditions with an accuracy of about +/- 20 percentage points.

Hedging horizon	Degree of hedging
• 1-3 months	70%
• 4-6 months	60%
• 7-9 months	40%
• 10-12 months	20%

Contracted future payments for non-current assets in foreign currency may be secured up to the full cost.

If the net exposure to a single currency is less than the equivalent of EUR 1 million annually, hedging is not necessary.

The table below shows the net flows and hedge volumes that Group companies have had in each currency during each relevant year.

	2019		*2018*	
Group SEKm	**12 months net flows**	**Total hedges***	**12 months net flows**	**Total hedges***
SEK	-212.1	128.9	-176.5	120.0
EUR	-250.3	198.4	-295.6	139.7
NOK	2.1	-	-2.7	-
DKK	-47.8	15.5	-30.3	-
GBP	5.8	-	-1.9	-
PLN	-104.6	75.2	-96.0	62.1
USD	-7.9	-	-6.4	-
Other	0.0	-	-0.1	-

* Net flows in EUR and DKK have been adjusted for exposure against DKK and EUR respectively due to the currency peg between these currencies.

Translation exposure

The hedging of translation exposure is guided by the Group's finance policy. Translation exposure is not currently hedged as the risk is relatively limited. However, an analysis of these risks is made once a year to ensure that they do not increase. Foreign net assets in the Group are mainly distributed among the following currencies:

	2019			*2018*	
Group Currency, m	**Local currency**	**SEK**	**%**	**SEK**	**%**
SEK	1,681.5	1,681.5	44.5	1,776.8	50.8
NOK	-134.7	-146.0	-3.9	-150.9	-4.3
DKK	818.4	1,209.7	32.0	882.9	25.3
EUR	117.4	1,224.9	32.4	1,123.6	32.1
GBP	-15.1	-192.8	-5.1	-168.2	-4.8
PLN	-0.4	-7.4	-0.2	28.4	0.8
RON	3.0	5.6	0.1	3.4	0.1
Total		**3,775.6**	**100**	**3,495.9**	**100**

A 10 percent strengthening of the SEK against other currencies as of 31 December 2019 would entail a negative change in shareholders' equity of SEK 204.7 million (168.3) and a negative change in profit of SEK 38.4 million (33.0). This sensitivity analysis is based on all other factors (e.g. interest rates) remaining unchanged. The same conditions were applied for 2018.

Fair value

In all instances, fair value corresponds to the financial instrument's carrying amount. In all material respects, the carrying amounts for assets and liabilities recognized at their carrying amounts are equivalent to their fair value.

Note 2, cont.

Fair values and carrying amounts are detailed in the balance sheet below:

Group 2019, SEKm	Financial assets measured at amortized cost	Financial assets measured at fair value in profit or loss	Financial liabilities measured at fair value in profit or loss	Financial liabilities measured at amortized cost	Total carrying amount	Fair value
Financial investments		2.7			2.7	2.7
Other non-current receivables	37.0				37.0	37.0
Trade receivables	511.9				511.9	511.9
Other current receivables	63.0	0.0			63.0	63.0
Cash and equivalents	242.8				242.8	242.8
Total	**854.6**	**2.7**	**-**	**-**	**857.4**	**857.4**
Non-current interest-bearing liabilities			0.0	1,926.8	1,926.8	1,926.8
Other non-current liabilities			6.6	5.8	12.5	12.5
Current interest-bearing liabilities			0.0	41.7	41.7	41.7
Trade and other payables				528.7	528.7	528.7
Other current liabilities			0.0	185.6	185.6	185.6
Total	**-**	**-**	**6.6**	**2,688.5**	**2,695.2**	**2,695.2**
Group 2018, SEKm						
Financial investments	0.0	2.7			2.7	2.7
Other non-current receivables	38.6				38.6	38.6
Trade receivables	595.5				595.5	595.5
Other current receivables	92.1	2.1			94.2	94.2
Cash and equivalents	165.0				165.0	165.0
Total	**891.2**	**4.8**	**-**	**-**	**896.0**	**896.0**
Non-current interest-bearing liabilities				2,199.0	2,199.0	2,199.0
Other non-current liabilities			6.1	21.6	27.7	27.7
Current interest-bearing liabilities			23.9	100.9	124.8	124.8
Trade and other payables				458.6	458.6	458.6
Other liabilities			1.0	224.5	225.5	225.5
Total	**-**	**-**	**31.0**	**3,004.6**	**3,035.6**	**3,035.6**

Disclosures regarding determination of fair value

	2019				*2018*			
Group, SEKm	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current investments – shares and participations	-	-	2.7	2.7			2.7	2.7
Current receivable – derivative	-	0.0	-	0.0	-	2.1	-	2.1
Total	**-**	**0.0**	**2.7**	**2.7**	**-**	**2.1**	**2.7**	**4.8**
Non-current liability – derivative	-	6.6	-	6.6	-	6.1	-	6.1
Current liability – derivative	-	-	-	-	-	1.0	-	1.0
Non-current liability – conditional purchase consideration					-	-	23.9	23.9
Total	**-**	**6.6**	**0.0**	**6.6**	**-**	**7.1**	**23.9**	**31.0**

Level 1: According to prices noted in an active market for the same instrument
Level 2: Based on directly or indirectly observable market data not included in Level 1
Level 3: Based on input data not observable in the market

The Group enters into netting agreements with its financial counterparties. According to these agreements, when a counterparty fails to settle its obligations under all transactions, the agreement is cancelled and all outstanding balances are settled with a net amount. No derivatives have been offset in the balance sheet.

The table below presents a reconciliation of opening and closing balances for financial instruments recognized at fair value in the statement of financial position using valuation techniques based on non-observable in-data (level 3).

Group, SEKm	Financial investments – shares and participations	Acquisition-related liabilities – conditional purchase consideration
Fair value, 1 Jan. 2018	5.3	-22.3
Acquisitions, cost	-	-43.7
Translation difference	0.0	1.4
Settlement of conditional purchase consideration	-	7.9
Total recognized gains and losses:		
– recognized in profit for the year*	-2.6	35.7
Fair value, 31 Dec. 2018	**2.7**	**-23.9**
Fair value, 1 Jan. 2019	2.7	-23.9
Acquisitions, cost	-	-
Translation difference	0.0	-0.4
Settlement of conditional purchase consideration	-	20.2
Total recognized gains and losses:		
– recognized in profit for the year*	0.0	4.1
Fair value, 31 Dec. 2019	**2.7**	**0.0**

* Acquisition liability recognized as other operating income in profit for the year

Calculation of fair value

The following is a summary of the main methods and assumptions used to establish the fair value of the financial instruments presented in the table above.

Derivative instruments

For foreign exchange forward contracts, fair value is determined on the basis of quoted prices where available. If these are not available, fair value is calculated by discounting the difference between the contracted forward rate and the forward rate that can be signed on the balance sheet date for the remaining contract period. Discounting is applied at a risk-free interest rate based on government bonds.

For interest rate swaps, fair value is based on the valuation made by the mediating credit institute, with the fairness of this being tested by discounting calculated future cash flows in accordance with the terms and maturity dates of the contract based on market interest rates for similar instruments on the balance sheet date.

Where discounted cash flows are applied, future cash flows are calculated based on company management's best assessment. The interest rate applied in discounting is based on market rates for similar instruments on the balance sheet date. Where other valuation methods have been applied, input data are based on market related data on the balance sheet date.

Interest-bearing liabilities

For financial liabilities that are not derivative instruments, fair value is calculated by discounting future cash flows on principals and interest applying market interest rates on the balance sheet date.

Shares and participations

In accordance with IFRS 9, shares and participations are measured at fair value. For unlisted shares and participations, cost is considered a reasonable approximation of fair value

Financial lease liabilities

Fair value is based on the present value of future cash flows discounted at market interest rates for similar lease agreements.

Conditional purchase consideration

The fair value of conditional purchase considerations is based on forecast EBITA in the acquired companies at the future agreed date. These values are discounted at the current market interest rate at the time of acquisition.

Trade receivables and trade payables

For trade receivables and trade payables with a remaining maturity of less than six months, the carrying amount is considered to reflect fair value. Trade receivables and trade payables with a maturity of more than six months are discounted in connection with the determination of fair value.

Parent Company

The Parent Company conducts certain Group-wide services and is therefore not exposed to any substantial financial risks.

NOTE 3

Distribution of income

Distribution of income from contracts with customers in principal geographic markets. Consolidated income from contracts with customers coincide with recognized net sales.

Net sales by country, SEKm	2019	2018
Sweden	2,011.7	2,146.9
Denmark	1,786.1	1,648.6
Norway	409.9	363.6
Finland	1,646.2	1,754.4
Poland	105.6	106.0
UK	422.0	430.7
Ireland	169.9	146.5
Germany	44.6	35.4
Other	34.5	34.5
	6,630.6	**6,666.6**

The table below provides a reconciliation of income distribution in market segments and the Group's operating segments (see Note 4).

Contract balances

Information on receivables, contract assets and contract liabilities from contracts with customers is summarized below.

Group	2019	2018
Receivables included in trade receivables and other receivables	511.9	595.5
Contract assets	25.9	18.0
Contract liabilities	26.5	25.2

Contract assets relate primarily to the Group's right to remuneration for work performed but not invoiced per the balance sheet date for major projects where revenue recognition takes place over time in accordance with IFRS 15. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. Contract liabilities relate primarily to advances received from customers for the manufacture of customized products. The SEK 25 million reported as a contractual liability at the beginning of the period was recognized as income on 31 December 2019. To all material purposes, the Parent Company's contract balances consist of trade receivables.

The Group has no remaining performance commitments that, per 31 December, had an original expected maturity of less than one year. Accordingly, details of remaining performance commitments are not provided.

Net sales distribution between market segments by operating segment

	North		*South*		*Other*		*Group-wide and eliminations*		*Group*	
SEKm	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net sales	**3,749.7**	**3,970.2**	**2,713.1**	**2,517.3**	**374.4**	**427.6**	**-206.7**	**-248.4**	**6,630.6**	**6,666.6**
Consumer*	2,259.9	2,397.0	2,471.6	2,286.8	0.0	0.0			4,731.6	4,683.8
Industry*	1,460.2	1,527.9	170.6	154.1	0.0	0.0			1,630.9	1,681.9
Other	26.7	44.4	49.4	48.8	192.0	207.7			268.1	300.9
Internal sales	2.9	0.9	21.4	27.6	182.4	219.9			0.0	0.0

* Consumer: Sales to the Consumer market are conducted through the following channels: direct sales, retailers, middlemen, manufacturers of prefabricated homes, small building companies.
Industry: Sales to the Industry market are conducted through the following channels: large building companies, retailers, manufacturers of prefabricated homes.

NOTE 4

Segment reporting

Inwido's operations are divided into business areas based on the parts monitored by the company's highest executive decision makers. Inwido's operations are organized so that Group management monitors the EBITA, return and cash flow generated by the Group's business areas. The principal measure of profit followed up by Group management is operating EBITA. Since decisions are made regarding the allocation of resources on the basis of the business areas, these constitute the Group's segments. Consequently, the Group's internal reporting is structured so that Group management can monitor all business areas' performance and earnings. The following two operating segments have been identified: North and South. The group Other, includes companies that mainly produce aluminium window and door components that are sold internally within the Group. The effect of IFRS 16 is not allocated per business area but recognized separately.

Group-wide expenditures derive from shared Group projects and functions such as central management, the finance department, purchasing, product development, IT, HR and eliminations of internal profits. Sales and purchases within the Group are priced and allocated in accordance with the Group's transfer pricing documentation. Other transactions within the Group are priced on market terms. For receivables from, and liabilities to, Group companies, terms are in line with the market.

Group 2019, SEKm	**North**	**South**	**Other**	**Group-wide and eliminations**	**IFRS16 effect**	**Total**
External sales	3,746.9	2,691.7	192.0	-	-	6,630.6
Internal sales	2.9	21.4	182.4	-206.7	-	
Total net sales	**3,749.7**	**2,713.1**	**374.4**	**-206.7**	**-**	**6,630.6**
Gross profit/loss	844.9	825.6	33.9	-18.1	7.8	1,693.9
Operating EBITDA	308.2	514.6	30.3	-66.9	89.9	876.1
Operating EBITA	225.6	457.8	22.3	-71.9	11.9	645.5
EBITA	226.5	452.6	22.3	-92.2	11.9	621.0
Of which, EBITA in associated companies	1.7	-	-	0.1	-	1.7
EBIT						601.4
Net financial items						-43.1
Earnings before tax						**558.3**
Goodwill	2,166.2	2,088.3	82.5	0.0	-	4,337.0
Tangible non-current assets	470.3	410.3	51.8	2.0	338.4	1,272.8
Acquisitions of tangible non-current assets	77.4	87.8	4.2	0.0	40.9	210.2
Acquisitions of intangible assets, including goodwill	16.9	1.7	0.0	11.3	-	29.9

Group 2018, SEKm						
External sales	3,969.2	2,489.7	207.7	-	-	6,666.6
Internal sales	0.9	27.6	219.9	-248.4	-	
Total net sales	**3,970.2**	**2,517.3**	**427.6**	**-248.4**	**-**	**6,666.6**
Gross profit/loss	929.2	744.8	38.3	0.0	-	1,712.2
Operating EBITDA	395.7	437.8	31.6	-67.7	-	797.3
Operating EBITA	318.9	383.6	23.5	-68.6	-	657.4
EBITA	301.3	380.8	22.8	-69.4	-	635.5
Of which, EBITA in associated companies	1.3	-	-	0.1	-	1.5
EBIT						617.7
Net financial items						-55.8
Earnings before tax						**561.9**
Goodwill	2,147.5	2,051.2	82.5	0.0	-	4,281.2
Tangible non-current assets	459.4	373.6	56.8	3.3	-	893.0
Acquisitions of tangible non-current assets	90.1	96.2	14.4	0.3	-	201.0
Acquisitions of intangible assets, including goodwill	169.9	307.3	0.9	18.0	-	496.2

NOTE 5

Acquisitions and disposals of businesses

Acquisitions and disposals in 2019

Värmelux OY

In May 2016, Inwido acquired 83 percent of the shares in the Finnish window and door company Värmelux OY, which owns and operates the Lämpölux brand. The company has been included in the consolidated accounts as of 1 May 2016. On 12 March 2019, Inwido acquired the remaining 17 percent of the shares in Värmelux OY, meaning that Inwido owns 100 percent of the shares in company. The acquisition was financed through existing credit facilities.

Acquisitions and disposals in 2018

Profin OY and Profin Sydänpuu ikkunat ja ovet OY

On 2 July 2018, the acquisition of Profin was implemented, a family-owned Finnish group focusing on the production of exclusive sliding doors and windows. The group was founded in 1977 and has approximately 60 employees. Profin is a family company with roots in northern Finland. The Group combines traditional craftsmanship with modern production technology by manufacturing exclusive sliding doors, windows and doors with a design adapted to withstand the changeable and harsh Nordic climate. Over the past decade, Profin has become synonymous with high-quality sliding doors and it is the market leader in that segment in Finland.

Bedst & Billigst AS and Energivinduet AS

The acquisition of the Bedst & Billigst Group was effectuated as of 1 April 2018. Bedst & Billigst was founded in 2002 and is one of the first rapidly-growing companies in the Danish e-commerce consumer market. Today, the Group owns and operates webshops in Denmark, Norway and Sweden and it has a production facility in Romania. With the acquisition, Inwido continues to advance its position in the e-commerce market for windows and doors in Europe.

Effects of acquisitions made in 2018

As the disclosures regarding the acquisitions are individually insignificant, they are provided in aggregated form. Inwido acquired 100 percent of the shares in the acquired companies, the total purchase consideration amounted to SEK 498 million, of which SEK 455 million was paid in cash. Inwido normally uses an acquisition structure with a basic purchase consideration and a conditional purchase consideration. Initially, the conditional purchase consideration was measured at the present value of the probable outcome, which for the year's acquisitions was SEK 44 million. The conditional purchase considerations fell due for payment in 2019. The acquisitions have generated goodwill of SEK 394 million, no part of which is expected to be tax deductible.

Acquisition-related expenses amount to SEK 7 million (8) and relate to fees for consultants in connection with the acquisitions. These expenses have been recognized as other operating expenses in the statement of earnings and statement of other comprehensive income in the parent companies of each of the acquired operations. Contingent purchase considerations have been revalued by SEK 36 million (4), the income being reported in Other operating income.

During the months up to 31 December 2018, the acquisitions contributed SEK 194 million to consolidated income and SEK 26 million to consolidated profit after tax. If the acquisitions had occurred as of 1 January 2018, management estimates that the acquisitions would have contributed SEK 298 million to consolidated income and SEK 29 million to consolidated profit after tax.

The acquired companies' net assets on the acquisition date:

Group, SEKm	2018
Other intangible assets	37.8
Tangible non-current assets	47.7
Inventories	33.9
Trade receivables and other receivables	25.1
Cash and equivalents	36.1
Other current interest-bearing liabilities	-53.1
Interest-bearing liabilities	-15.2
Deferred tax liabilities	-7.3
Net identifiable assets and liabilities	**104.9**
Consolidated goodwill	393.7
Purchase consideration	**498.6**
Compensation paid in cash	454.9
Cash and equivalents in the acquired businesses	-35.0
Effect on Group cash flow	**419.8**

The fair value of assets and liabilities corresponds essentially to their carrying amounts.

NOTE 6

Other operating income

Group, SEKm	2019	2018
Rental income	1.3	1.3
Gain on sale of non-current assets	2.0	0.1
Insurance compensation	1.3	3.9
Revaluation of acquisition-related liabilities	4.1	34.6
Other	13.3	12.9
Total	**22.0**	**52.7**

Parent Company, SEKm	2019	2018
Exchange gains on operating receivables/liabilities	1.4	1.3
Total	**1.4**	**1.3**

NOTE 7

Other operating expenses

Group, SEKm	2019	2018
Loss on sales of non-current assets	0.4	0.1
Exchange losses on operating receivables/liabilities	0.7	0.4
Acquisition-related expenses	-	7.1
Other	3.8	5.1
Total	**4.9**	**12.6**

Parent Company, SEKm	2019	2018
Other	-	-
Total	**-**	**-**

NOTE 8

Employees and personnel expenses

Group, SEKm	2019	2018
Wages, remunerations, etc.	1,567.1	1,537.5
(Of which, wages and remunerations to the Board of Directors, CEO, senior executives and other key individuals)	(65.4)	(69.4)
(Of which, bonuses to the Board of Directors, CEO, senior executives and other key individuals)	(8.8)	(7.1)
Pension expenses, defined contribution plans	143.3	136.7
(Of which, to Board, CEO and senior management)	(10.0)	(13.1)
Social security contributions	242.5	252.3
	1,952.9	**1,926.5**

The definition of other key individuals was changed in 2019 following the reorganization of the Group. Other key individuals comprise key positions within Inwido AB and the Managing Directors of the local business units. In 2019, there was a total of 37 senior executives (including the CEO and the Managing Directors of the business units). In 2018, there were 39 senior executives, although that figure has not been recalculated in accordance with the new definition.

Average number of employees

	2019	of whom,men	2018	of whom, men
Parent Company (Sweden)	17	71%	22	73%
Total, Parent Company	17	71%	22	73%
Subsidiaries				
Sweden	1,497	67%	1,397	68%
Finland	818	77%	955	77%
Denmark	778	74%	805	76%
Poland	435	65%	442	71%
Estonia	216	58%	219	58%
Norway	104	57%	109	59%
UK	299	85%	308	83%
Lithuania	54	39%	55	38%
Ireland	21	57%	17	53%
Austria	0	0%	1	100%
Romania	117	50%	125	48%
Total in subsidiaries	**4,339**	**70%**	**4,433**	**71%**
Total, Group	**4,356**	**70%**	**4,455**	**71%**

The calculation of the average number of employees has taken into account the number of months that acquired companies have been included in the Group over the year.

The 2016 Annual General Meeting approved the Board's proposal on the establishment of a long-term incentive programme consisting of two parts: an issue of convertibles with the opportunity for all employees to participate and an issue of subscription warrants to approximately 50 of the company's senior executives and so-called Senior Leaders.

Senior executives in group management subscribed for a total of SEK 8.2 million in convertible loans and subscribed for a total of 104,480 warrants. In 2017, two new senior executives subscribed for a total of 24,000 warrants.

The incentive programme ended on 30 September 2019. Since the conversion price exceeded the current market price during the conversion period, no new shares were issued within the framework of the incentive programme.

For more information about the incentive programme, see Note 19.

Gender distribution in executive management

	2019	2018
Parent Company	Women, %	Women, %
Board of Directors (proportion of members elected by the Annual General Meeting)	25%*	40%
Total, Group		
Boards of Directors	4%	3%
Other senior executives	14%	13%

* At an Extraordinary General Meeting on 21 January 2020, the number of Board members elected by the Annual General Meeting was increased by two. Since then, the proportion of women on the Board of Directors has been 33 percent.

Salaries, other remunerations and social security expenses

	2019		2018	
Parent Company SEKm	Wages and remunerations	Social security expenses	Wages and remunerations	Social security expenses
Board of Directors, CEO, senior executives and other key individuals	24.6	14.7	17.7	11.4
(of which, bonuses)	2.9		(1.1)	
Other employees	8.4	4.6	13.6	8.8

Of social security expenses, SEK 5.4 million (4.9) represent pension expenses for members of the Board of Directors, the CEO and senior management, and SEK 1.4 million (3.8) for other employees.

Guidelines

At the Annual General Meeting in May 2019, the following terms were adopted, applicable to new senior executives. Remuneration and terms for senior executives shall be based on local market conditions and consist of a balanced mix of fixed salary, variable compensation, pension benefits, other benefits and terms of dismissal. Cash compensation shall consist of fixed and variable remuneration. Fixed and variable remuneration shall be related to the executive's responsibilities and authority. Variable remuneration shall be based on performance in relation to set targets. Variable cash compensation shall be maximized and may not exceed 50 percent of fixed annual salary. Variable remuneration may also be paid in the form of long-term incentive plans. Programmes for variable remuneration should be structured such that the Board, where exceptional circumstances prevail, is able to restrict or withhold payment of variable remuneration in the event that such action is deemed reasonable and consistent with the company's responsibilities towards its shareholders, employees and other stakeholders. Pension benefits shall be in the form defined contribution plans. With reservation for mandatory national regulations, the retirement age for the President and CEO and other senior executives shall be 65 years. Variable compensation of at most 50 percent of the maximum variable remuneration should be pension-qualifying for members of senior management. For the President and CEO, pension provisions are to be made equivalent to 30 percent of fixed salary. Benefits other than fixed salary, variable remuneration and pension benefits are to be applied restrictively. Salary may be exchanged for a company car benefit or pension benefits. Combined, fixed salary during the period of notice and severance pay shall not exceed an amount equivalent to fixed salary for 12 months; for the President and CEO, a period of 18 months applies.

The Board of Directors shall have the right to deviate from these guidelines in individual cases if specific reasons motivate this. In the event that the guidelines are disregarded, the reasons are to be accounted for at the ensuing Annual General Meeting. To the extent a Board member performs work on the company's behalf, alongside his/her board work, it shall be possible to pay consulting fees and other compensation for such work.

Remuneration to senior executives

Total remuneration to the President and CEO and other senior executives includes fixed salary, variable remuneration, pension and other benefits. These remuneration components are based on the guidelines for remuneration for senior executives adopted by the 2019 Annual General Meeting and which are set out in the Directors' Report.

Salaries and other remunerations to senior executives

Group 2019, SEKm	Basic salary, Board fees	Variable remuneration	Pension cost	Share-based remuneration	Other remuneration	Total	Pension commitments
Chairman of the Board							
Georg Brunstam	0.7	-	-	-	-	0.7	-
		-	-	-	-		-
Board members							
Anders Wassberg	0.4	-	-	-	-	0.4	-
Benny Ernstson	0.3	-	-	-	-	0.3	-
Henriette Schütze	0.3	-	-	-	-	0.3	-
President and CEO							
Henrik Hjalmarsson	5.7	0.9	1.7	-	0.2	8.5	-
Other senior executives (5 persons)	13.9	2.9	3.2	-	0.5	20.5	-
Total	**21.2**	**3.9**	**4.9**	**-**	**0.7**	**30.7**	**-**

Group 2018, SEKm							
Chairman of the Board							
Georg Brunstam	0.7	-	-	-	-	0.7	-
Board members							
Anders Wassberg	0.3	-	-	-	-	0.3	-
Benny Ernstson	0.3	-	-	-	-	0.3	-
Astrid Simonsen Joos	0.3	-	-	-	-	0.3	-
Henriette Schütze	0.3	-	-	-	-	0.3	-
President and CEO							
Håkan Jeppsson*	7.0	0.6	2.7	-	0.1	10.4	-
Other senior executives (8 persons)	17.8	3.1	4.6	-	0.8	26.3	-
Total	**26.7**	**3.6**	**7.2**	**-**	**0.9**	**38.5**	**-**

* Håkan Jeppsson passed away in December 2018. Peter Welin, CFO, served as the Acting CEO during December 2018.

The tables below account for the actual cost of remuneration and other benefits for the financial years 2019 and 2018 to the Board of Directors, the President & CEO and other senior executives. The latter are those individuals who, alongside the President and CEO, are members of Group Management.

The variable remuneration is paid out in the year following the year on which the variable remuneration is based. The variable remuneration in the above table represents the company's estimated expense for the current year.

Remuneration to the Board

Fees are paid to the Chairman and other Board members as determined by the Annual General Meeting. The 2019 Annual General Meeting resolved that the fees to the Board should total of SEK 1,685 (1,870) to be distributed among the members as follows: SEK 580 (550) to the Chairman and SEK 275 (260) to each of the other members of the Board who are not employees of the company that fees for work on the Audit Committee shall be SEK 130 to the chairman and SEK 50 each to the other members, and that fees to the members and chairman of the Remuneration Committee shall amount to SEK 25 each. Other remunerations have been paid in the form of taxable travel expenses.

Remunerations to other senior executives

Remunerations

Remuneration to the President and CEO includes fixed salary, variable remuneration, pension and other benefits. Basic salary for the President and CEO amounts to SEK 5,702 (7,248). For the President and CEO, variable remuneration may amount to at most 50 percent of basic salary. Any bonus payments and the size of these are related to the degree to which predefined annual targets are met.
Remunerations to other senior executives include fixed salary, variable remuneration, pension and other benefits. For other senior executives, variable remuneration may amount to at most 45 percent of basic salary. Any bonus payments and the size of these are determined by the President and CEO based on the degree to which financial and individual targets are met. The financial targets are linked to operating EBITA and working capital. The individual targets are based on personal performance.

Periods of notice and severance pay

The President and CEO has 12 months' notice on termination by the company and six months' notice on resignation. During the period of notice, the President and CEO is entitled to full salary and other employment benefits, whether obliged to work or not. He is not entitled to any additional severance pay.

Other senior executives have a period of notice of 12 months. On voluntary resignation, a period of termination of six months applies. During the period of notice, other senior executives are entitled to full salary and other employment benefits. They are not entitled to any additional severance pay.

Pension benefits

In addition to benefits under the Act on Income-Based Retirement Pension, pension payments are made for the President & CEO in the amount of 30 percent (35) of fixed annual salary plus holiday pay, which comprise pensionable income. The company's commitment is limited to paying the annual premium. The pension is not non-vesting.

For other senior executives, a defined contribution pension solution and traditional ITP2 plan are applied. The company's commitment is limited to paying the annual premium. The pension is not non-vesting.

Remuneration Committee

For information about the company's process to prepare and determine remunerations to senior executives, please see the Corporate Governance Report on pages 43-47.

Defined benefit pensions

For salaried employees in Sweden, defined benefit pension commitments for retirement and family pension (alternatively family pension) under the ITP 2 plan are secured through an insurance policy with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Classification of ITP plans financed through insurance with Alecta, this is a defined benefit plan that covers several employers. For the 2019 financial year, the company has not had access to information enabling it to report its proportional share of the plan's obligations, plan assets and costs, which means that it has not been possible to account for the plan as a defined benefit plan. Consequently, the ITP2 pension plan, which is insured through a policy with Alecta, is recognized as a defined contribution plan. The premium for the defined benefit retirement and family pension is calculated individually and is dependent on factors including previously earned pension and the expected remaining period of service. The Group's share of the total contributions to the plan amounted to SEK 7.5 million (11.3) for 2019. For the next year, the estimated total fees amount to SEK 9.5 million (11.7).

NOTE 9

Auditors' fees and reimbursements

	Group		*Parent Company*	
SEKm	**2019**	**2018**	**2019**	**2018**
KPMG				
Audit assignments	5.2	4.7	0.8	0.7
Audit work not included in the audit assignment	0.2	0.2	0.1	0.0
Tax advisory services	0.4	0.3	0.0	-
Other advisory services	0.2	0.2	0.1	0.1
Other auditors	-	-	-	-
Audit assignments	1.2	1.1	-	-
Audit work not included in the audit assignment	0.0	-	-	-
Tax advisory services	-	-	-	-
Other advisory services	0.1	0.0	-	-
	7.3	**6.5**	**1.0**	**0.9**

Auditing assignments refer to the audit of the Annual Report and accounting, the administration of the Board and CEO, as well as other tasks undertaken by the company's auditors in order to complete the assignment.

Auditing activities beyond the auditing assignment refers to reviews such as certificates, interim reports etc. that have resulted in a report from the auditor.

Consultancy services taxes refers to assignments that have been carried out in relation to taxes and fees.

Consultancy services other refers to all other assignments that are not included in the above.

NOTE 10

Operating expenses by type of expense

Group, SEKm	2019	2018
Raw materials and input goods	2,417.0	2,417.4
Changes in inventories of finished products and products in progress	8.4	2.7
Personnel costs	2,091.1	2,102.0
Depreciation and impairment	268.5	143.8
Transport	298.5	292.1
Installation	231.7	276.0
Energy	60.5	54.8
Repairs and maintenance	83.7	83.5
IT and telephony	160.5	137.3
Other external expenses	428.2	580.8
Total	**6,047.9**	**6,090.5**

NOTE 11

Financial income and expenses

Group, SEKm	2019	2018
Financial income		
Interest income[1)]	2.3	3.3
Other financial income	0.6	0.8
Exchange rate difference	24.4	9.0
Total	**27.4**	**13.1**

Group, SEKm	2019	2018
Financial expenses		
Interest expenses[1)]	-49.0	-49.6
Interest expenses for leases in accordance with IFRS 16	-11.6	-
Assets and liabilities valued at fair value	0.7	-0.3
Impairment, shares and participations		-2.6
Other financial expenses	-10.6	-16.4
Total	**-70.5**	**-68.9**
Net financial items	**-43.1**	**-55.8**

1) Interest income and expenses are attributable to all intents and purposes to financial assets and liabilities measured at accrued cost.

Parent Company, SEKm	2019	2018
Profit/loss from participations in subsidiaries		
Dividend	21.4	10.3
Total	**21.4**	**10.3**
Other interest income and similar profit/loss items		
Interest income	0.6	0.4
Interest income, Group companies	62.2	54.6
Exchange rate difference	28.5	8.5
Total	**91.3**	**63.4**
Interest expense and similar profit/loss items		
Interest expenses	-43.9	-41.3
Change in value of derivatives	3.3	0.0
Impairment, shares and participations	0.0	-2.6
Other financial expenses	-2.4	-9.5
Total	**-43.1**	**-53.3**
Net financial items	**69.6**	**20.4**

NOTE 12

Taxes

Group, SEKm	2019	2018
Current tax expense (-) / income (+)		
Tax expense/income for the period	-122.1	-123.3
Adjustment for taxes attributable to previous years	-4.6	4.2
Deferred tax expense (-) / income (+)		
Deferred tax on temporary differences	2.8	3.9
Deferred tax expense /income due to changes in tax rates	0.0	0.0
Deferred tax income on tax value of loss carryforwards capitalized during the year	-	1.2
Utilization of previously capitalized loss carryforwards	-1.3	-
Impairment of previously capitalized loss carryforwards	-	-9.8
Total consolidated tax recognized	**-125.2**	**-123.9**

Parent Company, SEKm	2019	2018
Current tax expense (-) / income (+)		
Tax expense (-) / income (+) for the period	-24.2	-25.8
Adjustment for taxes attributable to previous years	-	-
Deferred tax expense (-) / income (+)		
Deferred tax on temporary differences	-0.2	1.1
Deferred tax expense /income due to changes in tax rates	0.0	-0.5
Total reported tax expense in the Parent Company	**-24.4**	**-25.1**

Reconciliation of effective tax

Group, SEKm	2019	2018
Earnings before tax	558.4	561.9
Less participations in profit/loss of associated companies	-1.7	-1.5
Calculated profit/loss before tax	**556.7**	**560.4**
Tax according to the current tax rate for the Parent Company, 21.4% (22%)	-119.1	-123.3
Effect of different tax rates for foreign subsidiaries	4.1	6.3
Non-deductible expenses	-5.2	-5.5
Non-taxable income	2.3	9.3
Increase in loss carryforwards with no equivalent capitalization of deferred tax	-8.3	-11.9
Utilization of loss carryforwards not previously capitalized	6.4	5.4
Impairment of previously capitalized loss carryforwards	0.0	-9.8
Effects of changed tax rates and regulations	0.0	0.0
Taxes attributable to previous years	-4.6	4.2
Other	-0.8	1.5
Recognized effective tax	**-125.2**	**-123.9**

Weighted average nominal tax rate for the year 21% (21).

Parent Company, SEKm	2019	2018
Earnings before tax	134.7	120.0
Tax according to the current tax rate for the Parent Company	-28.8	-26.4
Effects of changed tax rates and regulations	-	-0.5
Non-deductible expenses	-1.0	-0.9
Non-taxable income	5.5	2.6
Recognized effective tax	**-24.3**	**-25.1**

Deferred tax receivables and liabilities recognized

Recognized deferred tax assets and liabilities relate to the following:

	Deferred tax assets		*Deferred tax liabilities*		*Net*	
Group, SEKm	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Tangible assets	8.0	0.1	-21.6	-18.4	-13.5	-18.3
Intangible non-current assets	-1.4	-1.2	-85.1	-83.6	-86.5	-84.8
Financial assets	-	-	-0.5	-0.5	-0.5	-0.5
Inventories	0.8	1.7	-0.9	-1.3	-0.1	0.4
Trade receivables	0.1	0.1	0.0	0.0	0.2	0.1
Other receivables	-	-	-0.2	-0.3	-0.2	-0.3
Trade and other payables	-	-	-	-	-	-
Interest-bearing liabilities	0.6	0.1	-	-	0.6	0.1
Pensions	6.5	6.1	-	-	6.5	6.1
Provisions	0.6	1.4	19.1	14.2	19.7	15.6
Other	1.6	1.8	0.7	0.7	2.2	2.5
Tax loss carryforwards	24.5	25.0	-	-	24.5	25.0
Untaxed reserves	5.8	4.7	-30.8	-30.8	-25.0	-26.1
Tax receivables/liabilities, net	**47.2**	**39.7**	**-119.2**	**-120.0**	**-72.0**	**-80.3**
Deferred tax receivables/liabilities maturing within one year	0.9	2.2	0.0	0.0	0.9	2.2
Deferred tax receivables/liabilities maturing after one year	5.9	5.1	-1.2	-1.2	4.6	3.9
Deferred tax receivables/liabilities without maturity	40.5	32.4	-118.0	-118.8	-77.5	-86.4
Parent Company, SEKm						
Pensions	6.1	5.6	-	-	6.1	5.6
Other	0.7	1.4	-	-	0.7	1.4
Tax receivables/liabilities	**6.8**	**7.1**	**-**	**-**	**6.8**	**7.1**
Tax receivables/liabilities, net	**6.8**	**7.1**	**-**	**-**	**6.8**	**7.1**

Deferred tax assets for loss carryforwards are mainly attributable to Norway, Poland and the UK. If the operations in Norway, Poland and the UK do not generate profits in the future, tax assets for loss carryforwards may be impaired.

Temporary difference between recognized value and tax base for participations etc. directly owned by the Parent Company

For both years, the temporary differences in the Parent Company's directly owned participations amount to zero. For the Group, the amount is not material.

Deferred tax receivables and liabilities not recognized

Deductible temporary differences and tax loss carryforwards for which deferred tax receivables have not been recognized amount to:

	the Group		*Parent Company*	
SEKm	**2019**	**2018**	**2019**	**2018**
Tax losses	101.4	45.4	-	-
	101.4	**45.4**	**-**	**-**

Nearly all of the Group's tax loss carryforwards have an indefinite period of applicability. According to current tax regulations, deductible temporary differences do not expire. Deferred tax assets have not been recognized for these items as the Group is likely to use them to offset future taxable profits.

In certain countries where the Group has operations, the results of operations are tax exempt, provided that the profits generated are not distributed. On the balance sheet date, the total tax exempt reserves amounted to SEK 110 million (100), which would mean a tax liability of SEK 21 million (20) if the subsidiaries were to pay dividends from these reserves.

Note 12, cont.

Changes in deferred tax assets and liabilities for the year

Group, SEKm	2019 Balance at 1 Jan. 2019	Reported in profit the year	Recognized in share-holders' equity	Acquired operations	Translation difference	Balance at 31 Dec. 2019	2018 Balance at 1 Jan. 2018	Reported in profit the year	Recognized in share-holders' equity	Acquired operations	Translation difference	Balance at 31 Dec. 2019
Tangible non-current assets	-18.3	-3.0	7.9	-	-0.2	-13.5	-16.0	-1.7	-	-0.1	-0.5	-18.3
Intangible assets	-84.8	0.2	-	-	-1.9	-86.5	-77.3	2.6	-	-7.2	-3.0	-84.8
Financial assets	-0.5	-	-	-	0.0	-0.5	-0.4	0.0	-	-	0.0	-0.5
Inventories	0.4	-0.4	-	-	0.0	-0.1	0.4	0.0	-	-	0.0	0.4
Trade receivables	0.1	0.0	-	-	0.0	0.2	0.1	0.0	-	-	0.0	0.1
Other receivables	-0.3	0.1	-	-	0.0	-0.2	-0.2	-0.1	-	-	0.0	-0.3
Interest-bearing liabilities	0.1	0.6	-	-	-	0.6	0.0	0.1	-	-	-	0.1
Pensions	6.1	0.5	-	-	-	6.5	5.4	0.7	-	-	0.0	6.1
Provisions	15.6	3.9	-	-	0.2	19.7	10.7	4.6	-	-	0.2	15.6
Other liabilities	2.5	-0.2	-	-	0.0	2.2	2.2	0.3	-	-	0.0	2.5
Tax loss carryforwards	25.0	-1.3	-	-	0.8	24.5	34.9	-11.2	-	-	1.3	25.0
Tax allocation reserve	-26.1	1.1	-	-	0.0	-25.0	-25.9	-0.2	-	-	-0.1	-26.1
Total	**-80.3**	**1.5**	**7.9**	**-**	**-1.2**	**-72.0**	**-66.2**	**-4.7**	-	**-7.3**	**-2.0**	**-80.3**

NOTE 13

Intangible assets

Group, SEKm	*Internally developed intangible assets* Development expenditure	*Acquired intangible assets* Market and customer-based assets	Other intangible assets	Goodwill	Development projects in progress	Total
Accumulated cost						
Opening balance, 1 Jan. 2018	27.0	222.0	182.1	3,811.5	47.6	4,290.2
Acquired through business combinations	-	-	37.8	393.7	-	431.5
Other investments	0.3	-	10.2	-	54.5	65.0
Disposals and scrappings	-	-	-0.3	-	-	-0.3
Reclassifications	-	-	12.7	-	-12.7	0.0
Exchange rate differences for the year	1.1	6.8	7.7	103.4	0.7	119.7
Closing balance, 31 Dec. 2018	**28.5**	**228.9**	**250.2**	**4,308.5**	**90.1**	**4,906.1**
Opening balance, 1 Jan. 2019	28.5	228.9	250.2	4,308.5	90.1	4,906.1
Acquired through business combinations	-	-	-		-	-
Other investments	-	-	18.0	-	11.9	29.9
Impairment for the year	-	-	-21.4	-	-	-21.4
Reclassifications	-	-	29.7	-	-27.3	2.3
Exchange rate differences for the year	0.4	5.8	3.4	56.2	0.4	66.3
Closing balance, 31 Dec. 2019	**28.9**	**234.7**	**279.8**	**4,364.7**	**75.1**	**4,983.2**
Accumulated amortization and depreciation						
Opening balance, 1 Jan. 2018	-24.4	-48.9	-144.3	-26.4	-	-244.0
Acquired through business combinations	-	-	-0.3	-	-	-0.3
Disposals and scrappings	-	-	0.2	-	-	0.2
Impairment for the year	-0.2	-	-	-	-	-0.2
Depreciation for the year	-1.0	-10.1	-24.5	-	-	-35.6
Reclassifications	-	-	-	-	-	0.0
Exchange rate differences for the year	-1.0	-0.4	-6.0	-1.0	-	-8.4
Closing balance, 31 Dec. 2018	**-26.7**	**-59.5**	**-174.9**	**-27.3**	**-**	**-288.4**
Opening balance, 1 Jan. 2019	-26.7	-59.5	-174.9	-27.3	-	-288.4
Acquired through business combinations	-	-	-	-	-	-
Impairment for the year	-	-	3.4	-	-	3.4
Depreciation for the year	-0.9	-10.5	-31.1	-	-	-42.5
Reclassifications	-	-	-1.4	-	-	-1.4
Exchange rate differences for the year	-0.4	-0.8	-2.4	-0.4	-	-4.0
Closing balance, 31 Dec. 2019	**-27.9**	**-70.7**	**-206.4**	**-27.7**	**-**	**-332.8**

Note 13, cont.

Carrying amounts

As of 1 Jan. 2018	2.6	173.1	37.8	3,785.1	47.6	4,046.2
As of 31 Dec. 2018	1.8	169.4	75.3	4,281.2	90.1	4,617.7
As of 1 Jan. 2019	**1.8**	**169.4**	**75.3**	**4,281.2**	**90.1**	**4,617.7**
As of 31 Dec. 2019	**1.0**	**164.0**	**73.4**	**4,337.0**	**75.1**	**4,650.4**

Amortization and impairment are included in the following items in the income statement:

	2019	2018
Cost of goods sold	-16.6	-13.3
Selling expenses	-2.6	-1.8
Administrative expenses	-22.2	-19.6
Research and development expenses	-1.1	-0.9
Total	**-42.5**	**-35.6**

Impairment is included in the following items in the income statement:

Cost of goods sold	-18.0	0.0
Other operating expenses	0.0	-0.2
Total	**-18.0**	**-0.2**

During 2019, a review was conducted of centrally organized development projects, as a consequence of the new governance model Simplify, resulting in impairment being recognized in central product and IT investments.

All intangible assets, except goodwill and trademarks, are amortized. The acquired trademarks deemed to have an indefinite useful life are derived from the acquisition of Säästke OÜ, and JNA Vinduer and Døre A/S. The useful life is deemed indefinite in the case of well-established brands in their market, which the Group intends to maintain, utilize and develop in its operations. The brands are also considered to be of considerable economic significance as these are an integral part of the offering to the market by signalling the quality and innovation in the products and thus being able to affect pricing and competitiveness. Accordingly, these brands are considered to have an indefinite life through their connection with the operations and the intention to use them in the future. For information on amortization, see the accounting principles detailed in Note 1.

Impairment testing for cash-generating units including goodwill and brands

Group, SEKm, 2019	Goodwill	Brand
North	2,166.2	0.0
South	2,088.3	43.3
Other	82.5	0.0
Group-wide and eliminations	0.0	0.0
Total	**4,337.0**	**43.3**

Group, SEKm, 2018	Goodwill	Brand
North	2,147.5	0.0
South	2,051.2	42.7
Other	82.5	0.0
Group-wide and eliminations	0.0	0.0
Total	**4,281.2**	**42.7**

Taking into account the fact that an assessment has been made that the cash flows attributable to trademarks cannot be separated from the other cash flows of the cash-generating unit, impairment testing is performed for both goodwill and brands together by calculating the recovery value for the cash-generating unit.

In impairment testing, the recoverable amount consists of the assessed value in use of the cash generating units. The discount rate is 8.0-8.3 percent (7.9-8.2). For the operating segments South and North, the discount rate of 8.0 percent has been applied. For Other, the discount rate of 8.3 percent has been applied. The difference between the discount rates is the specific risk premium. It is the company's assessment that the risk premium is lower for South and North because of the customer segments and product structure. Other parameters in the discount rate are the same for the operating segments. The value is based on cash flow calculations, of which the first five years are based on a business forecast approved annually by company management together with the local management teams. The margins in the business forecast are based on the assumptions in the table below. The cash flows calculated for periods after the first five years are based on 2.5 percent (2.5) annual growth. The company estimates that the annual growth rate exceeds the central banks' long-term inflation target of 2 percent because of population growth and urbanization in each market. The margins for the first five years have been estimated in line with development over the forecast period and normalized to reflect a future level over a business cycle. The key assumptions in the four-year business forecast are detailed in the table below.

Key variables	Assessment method
Market growth	Expected market growth is based on a transition from the current competitive situation to the expected long-term growth trend. The forecast includes the strategy to increase the proportion of sales generated within the consumer segment, increased sales of new products and accessories, establishment of new markets and sales channels, strong demand for energy-efficient products and the expected demographic trend. The forecast agrees with previous experience and forecasts.
Purchasing of goods and services	The forecast for purchasing costs is based on expected inflation, changes in choice of material, volume advantages and other synergies within the Group. In addition, estimates have been made regarding the price trend for the principal groups of materials based on external data sources. The forecast agrees with previous experience and forecasts.
Personnel costs and efficiency	Forecast personnel costs are based on expected wage increases, adopted and implemented efficiency measures and other synergies within the Group. The forecast agrees with previous experience and forecasts.

In the Group's assessment, possible changes in key assumptions will not result in a need for impairment. In view of the Group's operations, the essential key variables are largely the same for the Group's different cash-generating units.

Acquired intangible assets

Parent Company, SEKm	Other intangible assets	Development projects in progress	Total
Accumulated cost			
Opening balance, 1 Jan. 2018	1.8	3.6	5.4
Other investments	-	18.0	18.0
Closing balance, 31 Dec. 2018	**1.8**	**21.6**	**23.4**
Opening balance, 1 Jan. 2019	1.8	21.6	23.4
Other investments	-	11.3	11.3
Re-classification	29.0	-26.9	2.1
Impairment for the year	-20.0		-20.0
Closing balance, 31 Dec. 2019	**10.8**	**6.0**	**16.8**
Accumulated amortization and depreciation			
Opening balance, 1 Jan. 2018	-1.8	-	-1.8
Depreciation for the year	-	-	-
Closing balance, 31 Dec. 2018	**-1.8**	**-**	**-1.8**
Opening balance, 1 Jan. 2019	-1.8	-	-1.8
Depreciation for the year	-4.7	-	-4.7
Impairment for the year	2.0	-	2.0
Re-classification	-1.2	-	-1.2
Closing balance, 31 Dec. 2019	**-5.7**	**-**	**-5.7**
Closing balance, 31 Dec. 2018	-	21.6	21.6
Closing balance, 31 Dec. 2019	5.1	6.0	11.1

During 2019, a review was conducted of centrally organized development projects, as a consequence of the new governance model Simplify, resulting in impairment being recognized in central product and IT investments.

NOTE 14

Tangible non-current assets

The Group's tangible non-current assets comprise both proprietary and leased assets. For information on leased tangible non-current assets that comprise right-of-use assets, see Note 24 Leases.

Group, SEKm	2019	2018
Tangible non-current assets		
Proprietary tangible non-current assets	934.5	893.0
Leased tangible non-current assets	338.4	-
Total	**1,272.8**	**893.0**

Proprietary tangible non-current assets

Group, SEKm	Land and buildings	Machinery and equipment	Construction in progress	Total
Cost				
Opening balance, 1 Jan. 2018	636.8	1,935.0	93.8	2,665.5
Acquired through business combinations	28.0	47.7	-	75.7
Other investments	10.5	72.3	70.4	153.2
Disposals and scrappings	-5.4	-45.7	-0.7	-51.7
Re-classification	2.4	59.4	-61.8	0.0
Exchange-rate differences	14.5	42.4	0.7	57.6
Closing balance, 31 Dec. 2018	**686.8**	**2,111.1**	**102.4**	**2,900.3**
Opening balance, 1 Jan. 2019	686.8	2,111.1	102.4	2,900.3
Other investments	21.6	75.9	71.8	169.3
Disposals and scrappings	-3.9	-41.9	-0.2	-46.0
Re-classification	1.2	66.0	-69.0	-1.7
Exchange-rate differences	3.1	16.5	0.9	20.4
Closing balance, 31 Dec. 2019	**708.9**	**2,227.5**	**106.0**	**3,042.3**

Group, SEKm	Land and buildings	Machinery and equipment	Construction in progress	Total
Depreciation and impairment				
Opening balance, 1 Jan. 2018	-327.2	-1,523.8	-	-1,851.0
Acquired through business combinations	-3.1	-24.9	-	-28.0
Disposals and scrappings	2.7	34.5	-	37.3
Impairment for the year	-	-3.8	-	-3.8
Depreciation for the year	-20.1	-102.1	-	-122.2
Re-classification	-	-	-	0.0
Exchange-rate differences	-7.0	-32.6	-	-39.6
Closing balance, 31 Dec. 2018	**-354.6**	**-1,652.7**	**-**	**-2,007.3**
Opening balance, 1 Jan. 2019	-354.6	-1,652.7	-	-2,007.3
Disposals and scrappings	2.7	39.9	-	42.6
Impairment for the year	-	-0.3	-	-0.3
Depreciation for the year	-21.4	-108.3	-	-129.7
Re-classification	-0.6	1.4	-	0.8
Exchange-rate differences	-0.9	-13.0	-	-13.9
Closing balance, 31 Dec. 2019	**-374.8**	**-1,733.1**	**-**	**-2,107.9**
Carrying amounts				
As of 1 Jan. 2018	309.5	411.3	93.8	814.6
As of 31 Dec. 2018	332.2	458.4	102.4	893.0
As of 1 Jan. 2019	**332.2**	**458.4**	**102.4**	**893.0**
As of 31 Dec. 2019	**334.1**	**494.5**	**106.0**	**934.5**

Group, SEKm	2019	2018
Amortization is included in the following items in the income statement:		
Cost of goods sold	-123.2	-113.9
Selling expenses	-2.5	-2.8
Administrative expenses	-4.0	-5.5
Research and development expenses	-	-
Total	**-129.7**	**-122.2**
Impairment is included in the following items in the income statement:		
Cost of goods sold	-0.3	-1.8
Selling expenses	0.0	-2.0
Total	**-0.3**	**-3.8**

Restructuring in sales channels and production in Business Area South necessitated recognition of impairment of tangible fixed assets in 2018.

Parent Company, SEKm, Equipment	2019	2018
Amortized cost		
Opening balance	6.1	5.8
Acquisitions	-	0.3
Re-classification	-2.1	-
Closing balance	**4.0**	**6.1**
Accumulated depreciation		
Opening balance	-2.8	-1.9
Depreciation for the year	-0.4	-0.9
Re-classification	1.2	-
Closing balance	**-1.9**	**-2.8**
Carrying amounts	**2.0**	**3.3**

Financial leasing (leased production equipment)

The Group leases production and IT equipment and cars under various financial leasing agreements. The variable fees consist of non-fixed interest rates linked to local reference rates in Denmark.the UK and Poland. As the leasing agreements expire.the Group has the option of buying the equipment at favourable prices. The leased assets act as collateral for the lease liabilities.

Group, SEKm	2018
Carrying amount	4.2
Minimum lease fees paid during the year	1.8

Future payment obligations for non-cancellable leases:

	2018	
Group, SEKm	**Nominal amount**	**Calculated current value**
Within 1 year	1.1	0.9
2-5 years	2.2	2.4
Later than 5 years	1.5	0.9

NOTE 15

Participations in associated companies

Group, SEKm	2019	2018
Carrying amount at start of year	12.6	11.2
Disposals of associated companies	-	-
Participations in profit/loss of associated companies	1.7	1.5
Translation difference	-	-
Carrying amount at end of year	**14.4**	**12.6**

Specified below are the consolidated values for the ownership proportion of income.profit.assets and liabilities.

Associated companies

2019, SEKm	Country	Income	Earnings	Assets	Liabilities	Equity	Proprietary holding in %	Participation in profit/loss after tax	Value if listed	Carrying amount
Parent Company's:										
WeBe Home AB	Sweden	4.6	0.2	2.5	-3.4	-0.9	40.0	0.1	-	1.3
Subsidiaries':										
UAB Panorama Nordic Ltd	Lithuania	35.6	4.2	33.6	-5.1	-29.2	40.0	1.7	-	13.0
								1.7		**14.4**

2018, SEKm	Country	Income	Earnings	Assets	Liabilities	Equity	Proprietary holding in %	Participation in profit/loss after tax	Value if listed	Carrying amount
Parent Company's:										
WeBe Home AB	Sweden	5.8	0.5	2.9	1.6	1.3	40.0	0.1	-	1.3
Subsidiaries':										
UAB Panorama Nordic Ltd	Lithuania	40.3	3.9	29.0	4.1	24.9	40.0	1.3	-	11.4
								1.5		**12.6**

NOTE 16

Receivables from Group companies

Parent Company, SEKm	2019	2018
Accumulated cost		
Opening balance	2,364.5	1,946.2
Additional receivables	478.6	634.1
Settled receivables	-958.1	-215.8
Impairment of receivables	-	-
Closing balance, 31 Dec.	**1,885.1**	**2,364.5**

NOTE 17

Inventories

Group, SEKm	2019	2018
Raw materials and consumables	282.8	324.0
Products in progress	64.7	70.4
Finished goods and goods for resale	147.0	154.4
	494.5	**548.8**

Operating expenses include inventory impairments of SEK 1.8 million (0.2) after reversals of previous impairments of SEK 5.5 million (0.1). The reversals are largely attributable to new assessments of existing order backlogs.

NOTE 18

Cash and equivalents

Group, SEKm	2019	2018
Cash and equivalents include the following sub-components:		
Cash and bank balances	242.8	165.0
Total according to balance sheet and cash flow statement	**242.8**	**165.0**

NOTE 19

Equity

Parent Company	2019	2018
Number of shares, thousands		
Ordinary shares (nominal value SEK 4 (4))	57,968	57,968

Share capital
Holders of ordinary shares are entitled to dividends determined in due course and to one vote per share at Annual General Meetings. All shares carry equal entitlement to a share in the company's remaining net assets.

Other capital contributions
Pertains to capital contributions from shareholders. This includes premiums paid in connection with share issues.

Reserves
Translation reserve

The translation reserve encompasses all exchange rate differences arising from the translation of the financial statements of foreign operations prepared in a currency other than that in which the Group's financial statements are presented. The Parent Company and the Group present their financial statements in SEK.

Profit brought forward including profit for the year
Included in profit brought forward and profit for the year are the profits earned by the Parent Company and its subsidiaries, associated companies and joint ventures. This equity item includes earlier provisions to the reserve fund, excluding transferred share premium reserves.

Dividend

Parent Company, SEKm	2019	2018
Paid during the year	144.9	202.9
Proposed for payment	-	144.9

Inwido aims to pay its shareholders an annual dividend that corresponds to approximately 50 percent of net profit. However, Inwido's financial status in relation to the target, cash flow and future prospects shall be taken into consideration. See "Significant events after the end of the financial year" on page 60 for additional information concerning the Board of Directors' decision to withdraw the previously communicated dividend proposal to the Annual General Meeting 2020 of SEK 3.50 per share.

Appropriation of profit
Proposal for profit distribution.

Parent Company, SEKm	2019	2018
The following funds are at the disposal of the Annual General Meeting:		
Share premium reserve	890.7	890.7
Accumulated profit	237.0	287.0
Profit for the year	110.4	95.0
Total, SEK	**1,238.1**	**1,272.6**
The Board of Directors and President and CEO propose that the profit at the disposal of the Annual General Meeting be distributed in the following manner:		
Distributed to shareholders: SEK 0 per share (2.50)	-	144.9
Brought forward to new account	1,238.1	1,127.7
Total, SEK	**1,238.1**	**1,272.6**

Capital management
According to Board policy, the Group's financial objective is to maintain a favourable capital structure and financial stability enabling it to retain the trust of creditors and the market, while also providing the basis for continued business development.

The Board's ambition is to maintain a balance between the high return that increased borrowing permits and the advantages and security offered by a sound capital structure. The net debt in relation to EBITDA is followed up continuously in the internal reporting to senior management and the Board of Directors.

Capital is defined as equity including non-controlling interests.

Group, SEKm	2019	2018
Capital		
Total equity	3,775.5	3,501.0
	3,775.5	**3,501.0**
Net debt/equity ratio		
Financial liabilities, excluding IFRS 16	1,971.8	2,323.8
Lease liabilities, IFRS 16	363.5	-
Financial interest-bearing receivables	-18.0	-17.9
Cash and equivalents	-242.8	-165.0
Net debt	**2,074.5**	**2,140.9**
Net debt/total equity	0.5	0.6
Net debt/operating EBITDA (multiple)	2.4	2.7
Net debt/operating EBITDA (multiple), excluding IFRS 16	2.2	2.7

Net debt decreased by SEK 75 million in 2019. At the same time, liabilities increased by SEK 363 million in 2019 due to IFRS 16. During the same period, total equity increased by SEK 297 million and the net debt/equity ratio decreased to 0.5 (0.6). Consolidated cash flow from ordinary operations has primarily been used for investments, amortization of debt and for dividends.

Our long-term acquisition strategy stands firm and our efforts to further strengthen our balance sheet for this purpose are continuing

Financial targets

Inwido's operations are governed by four financial targets aimed at generating profitable growth and providing shareholders with good returns and long-term growth in value.

Sales growth

Inwido's objective is to exceed growth in our current markets through organic growth, as well as selective acquisitions and initiatives in Europe.

Profitability

Inwido's profitability target is an operating EBITA margin of 12 percent. Inwido may not achieve the profitability target during years when the market trend is weaker. In such cases, the company will undertake measures to further enhance profitability, which Inwido has been successful with in the past.

Capital structure

Inwido's net debt in relation to operating EBITDA shall, excluding temporary deviations, not exceed a multiple of 2.5.

Dividend policy

Inwido aims to pay its shareholders an annual dividend that corresponds to approximately 50 percent of net profit, However, Inwido's financial status in relation to the target, cash flow and future prospects shall be taken into consideration.

Earnings per share

Earnings per share before dilution are calculated as the earnings for the period attributable to Parent Company shareholders divided by the average number of shares outstanding per reporting period.

Instruments that could cause future dilution effects and changes after the balance sheet date

In 2016, the company launched a warrant programme whereby warrants were sold to senior executives. The incentive programme ended on 30 September 2019. Since the conversion price exceeded the current market price during the conversion period, no new shares were issued within the framework of the incentive programme.

Group	2019	2018
Number of shares, 31 Dec., thousands	57,968	57,968
Average number of shares before dilution, thousands	57,968	57,968
Average number of shares after dilution, thousands	57,968	58,071
Profit after tax attributable to Parent Company shareholders (SEKm)	433.2	432.5
Earnings per share, before dilution (SEK)	7.48	7.47
Earnings per share, after dilution (SEK)	7.48	7.45

Group, SEKm	2019	2018
Carrying amount at start of year	13.9	13.6
Redemption of convertible debentures	-14.1	-
Capitalized interest	0.2	0.3
Reported liability, 31 Dec.	-	13.9

Number of warrants issued

	2019		2018	
Group — Programme:	2016/ 2019:1	2016/ 2019:2	2016/ 2019:1	2016/ 2019:2
Number outstanding at start of year	76,000	116,480	76,000	116,480
Past-due options	-76,000	-116,000	-	-
Number outstanding at end of year	-	-	76,000	116,480
Redeemable at end of year	**-**	**-**	**76,000**	**116,480**

Convertible debentures

The company issued convertible debentures in June 2016 ("2016/2019:1") and September 2016 ("2016/2019:2"). The convertible debenture issued under 2016/2019:1 nominally amounted to SEK 5.1 million with a price of SEK 130.30, meaning that a total of 39,432 convertible debentures were issued under 2016/2019:1. The convertible debenture issued under 2016/2019:2 nominally amounted to SEK 9.0 million with a price of SEK 139.20, meaning that a total of 64,512 convertible debentures were issued under 2016/2019:2. The issue took place in connection with the introduction of an incentive programme for all employees in the Group, see Note 8. The interest rate of Stibor six months plus 3 percent was paid annually.

The equity component of the convertible debenture amounted to SEK 0.8 million. The debt component was recognized at amortized cost. The interest expense was calculated using the effective interest method at 2.5 percent, which corresponds to the market rate for a similar liability, without entitlement to conversion. Holders were entitled to exercise their options to receive one share for every option held at a conversion price of SEK 130.30 in respect of 2016/2019:1 and SEK 139.20 in respect of 2016/2019:2. The conversion price exceeded the current market price during the conversion period and no new shares were therefore issued within the framework of the incentive programme.

Warrants

In 2016, the company issued warrants for SEK 1.7 million under the two programmes: 2016/2019:1 and 2016/2019:2. The issue was associated with the initiation of an incentive programme for senior executives, see Note 8. During the period 1 August 2019 to 15 September 2019, holders were entitled to exercise their options to receive one share for every option held at a conversion price of SEK 130.30 in respect of 2016/2019:1 and SEK 139.20 in respect of 2016/2019:2. The conversion price exceeded the current market price during the conversion period and no new shares were therefore issued within the framework of the incentive programme.

NOTE 20

Interest-bearing liabilities

The following presents details of the company's agreement terms for interest-bearing liabilities, without taking the company's interest rate swaps into account. For further details of the company's exposure to interest rate risks and currency risks, please see Note 2.

Non-current liabilities

Group, SEKm	2019	2018
Liabilities to credit institutions	1,926.8	2,195.7
Financial lease liabilities	-	3.3
Total	**1,926.8**	**2,199.0**

Current liabilities

Group, SEKm	2019	2018
Overdraft facilities	35.8	59.0
Current liabilities to credit institutions	5.9	5.7
Current portion of financial lease liabilities	-	0.9
Current portion of acquisition-related liabilities	-	59.1
Total	**41.7**	**124.8**

Liabilities maturing later than five years after the balance sheet date

Liabilities to credit institutions	16.1	21.3
Financial lease liabilities	-	1.4

Terms and repayment periods

			2019		*2018*	
Group, SEKm	**Currency**	**Matures**	**Nominal book value**	**Carrying amount**	**Nominal book value**	**Carrying amount**
Credit institute	SEK	2024	556.9	556.9	556.9	556.9
Credit institute	EUR	2022-2024	602.0	602.0	1,061.3	1,061.3
Credit institute	DKK	2022-2024	782.2	782.2	591.7	591.7
Periodized bank expense	SEK	2024	-	-8.4	-	-8.5
Financial lease liabilities	PLN, DKK, RON	2019	-	-	4.2	4.2
Overdraft facilities utilized	PLN	2020	35.8	35.8	59.0	59.0
Acquisition-related debt, Värmelux OY	EUR	2019	-	-	35.2	35.2
Acquisition-related debt, Profin OY	EUR	2019	-	-	23.9	23.9
Interest-bearing liabilities			**1,976.9**	**1,968.5**	**2,332.2**	**2,323.8**

The average interest rate in 2019 was approximately 1.2 percent (1.8).

NOTE 21

Liabilities to credit institutions

Parent Company, SEKm	2019	2018
Non-current liabilities		
Bank loans	1,893.1	2,156.5

NOTE 22

Provisions

Group 2019, SEKm	Guarantee reserve	Restructuring measures	Total
Carrying amount at start of period			
1 Jan. 2019	26.0	12.6	38.6
Provisions made during the period	7.6	3.4	11.0
Amounts utilized	-10.4	-7.3	-17.7
Reversal of previous provisions	0.0	-1.1	-1.1
Translation difference	0.2	0.3	0.5
Carrying amount at end of period 31 Dec. 2019	**23.5**	**7.8**	**31.3**
of which:			
Amounts due for payment after 12 months	-	2.1	2.1
Amounts due for payment within 12 months	23.5	5.7	29.2

Group 2018, SEKm			
Carrying amount at start of period			
1 Jan. 2018	31.5	11.5	43.0
Provisions made during the period	6.5	11.1	17.6
Amounts utilized	-12.5	-10.5	-22.9
Re-classification	-0.1	0.0	-0.1
Translation difference	0.6	0.4	1.0
Carrying amount at end of period 31 Dec. 2018	**26.0**	**12.6**	**38.6**
of which:			
Amounts due for payment after 12 months	-	-	-
Amounts due for payment within 12 months	26.0	12.6	38.6

Guarantees

Provisions for guarantees and refunds are mainly attributable to sales of windows and doors during the 2018 and 2019 financial years. The provision was made on the basis of calculations involving historical expense data for guarantees and refunds and that are expected to mature in 2019.

Restructuring

Of the restructuring measures adopted within Inwido, SEK 24.5 million (21.9) has impacted the earnings for the year negatively. The costs pertain primarily to the discontinuation of development projects and products. As of 31 December 2019, provisions of SEK 7.8 million remain, of which SEK 5.7 million will mature in 2020.

NOTE 23

Accrued expenses and prepaid income

Group, SEKm	2019	2018
Accrued liabilities for wages and vacation compensation	236.8	228.6
Accrued social security contributions	46.1	37.7
Customer bonuses	74.8	87.4
Accrued interest expenses	4.0	7.2
Other	30.7	20.4
Total	**392.5**	**381.4**

Parent Company, SEKm	2019	2018
Accrued liabilities for wages and vacation compensation	7.7	5.9
Accrued social security contributions	2.4	4.3
Accrued interest expenses	4.0	7.2
Other	2.1	1.2
Total	**16.3**	**18.6**

NOTE 24

Leases

The effect of the transition to IFRS 16 on the Group's leases is described in Note 1 Accounting principles. The transition method that the Group has chosen to apply in transitioning to IFRS 16 entails the comparative data not having been restated to reflect the new requirements, for further information, see Note 29.

The Group's tangible non-current assets comprise both proprietary and leased assets. For information on proprietary tangible non-current assets, see Note 14 Tangible non-current assets.

The Group leases several types of assets, including premises, vehicles, machinery and IT equipment. No leases include covenants or other restrictions beyond the collateral comprising the leased asset.

Right-of-use asset

	2019		
Group, SEKm	**Properties**	**Other**	**Total**
Amortization during the year	-54.1	-23.9	-78.0
Closing balance, 31 Dec. 2019	**281.5**	**56.8**	**338.4**

Additional right-of-use assets in 2019 amounted to SEK 40.9 million. This amount includes the cost of new right-of-use assets acquired during the year, as well as additional amounts when reassessing lease liabilities due to changed payments as a result of the change in the lease period.

Lease liabilities

Group, SEKm	2019
Current	81.6
Non-current	285.3
Lease liabilities included in the statement of financial position	**366.9**

For a maturity analysis of the lease liabilities, see Note 2 Financial risks and policy in the section on liquidity risks.

The Group leases buildings and surrounding land for warehouses and production units. These leases normally have a maturity of between 10 and 25 years. Some leases include an option to renew the lease at the end of its term with an additional term of the same length. Some leases include leasing fees based on fluctuations in local price indexes.

Certain leases include extension and termination options that the Group may opt to exercise or not up to one year before the end of the non-cancellable period. Whether it is reasonably certain that an extension option will be exercised is determined on the commencement date of the lease. The Group is reviewing whether it is reasonably certain that an extension option will be exercised if there is an important event or significant change in circumstances within the Group's control. For the Group's leased production units, extension options are considered reasonably safe to exercise if they can be exercised within a ten-year period, provided that the operations are conducted normally.

The Group's leases for office premises and showrooms consist mainly of non-cancellable periods of three to five years, which are extended by additional periods of three to five years if the Group does not terminate the lease within a notice period of 9 to 12 months. In most cases where offices are concerned, the Group makes the assessment that it is not reasonably certain that the contracts will be extended beyond the initial period – that is, the term of the lease is usually deemed to be a single period.

The Group leases vehicles and forklifts with lease terms of three to five years. In some cases, the Group has an opportunity to purchase the asset at the end of the lease term. In other cases, the Group guarantees the residual value of the leased asset at the end of the lease term. Extension options exist only to an insignificant extent.

Amounts recognized in profit or loss, IFRS 16

Group, SEKm	2019
Amortization of right-of-use assets	-78.0
Interest on lease liabilities	-11.6
Expenses for short-term leases	1.6
Expenses for low-value leases, not short-term leases of low value	3.8

Amounts recognized in the cash flow report

Group, SEKm	2019
Total cash outflows attributable to leases	**83.7**

The above cash outflows include both amounts for leases recognized as lease liabilities, as well as short-term leases and leases of low value.

Leases where the Group is the lessee (2018)

Group, SEKm	2018
Non-cancellable lease payments amount to:	
Within 1 year	84.2
2-5 years	260.3
Later than 5 years	58.2
Total	**402.6**

Fees expensed for operational leases amount to:	
Minimum lease fees	41.6
Variable fees	37.6
Total lease expenses	79.2

Leases where the Parent Company is the lessee.

Parent Company, SEKm	2019	2018
Non-cancellable leasing payments amounts to:		
Within 1 year	1.8	1.7
2-5 years	1.6	2.6
Later than 5 years	-	-
Total	**3.4**	**4.2**

Fees expensed for operational leases amount to:		
Minimum lease fees	0.7	0.4
Variable fees	1.2	1.1
Total lease expenses	**1.9**	**1.5**

NOTE 25

Pledged assets, contingent liabilities and contingent assets

	Group		Parent Company	
SEKm	**2019**	**2018**	**2019**	**2018**
Pledged assets				
In the form of assets pledged for the company's own liabilities and provisions				
Property mortgages	-	-	-	-
Chattel mortgages	-	-	-	-
Assets with ownership reservation	0.3	0.7	-	-
Endowment insurance	26.1	23.8	23.7	22.1
Other	-	-	-	-
	26.3	**24.5**	**23.7**	**22.1**
Other pledged assets and collateral	-	-	-	-
Total pledged assets	**26.3**	**24.5**	**23.7**	**22.1**
Contingent liabilities				
Guarantee obligations for the benefit of subsidiaries	-	-	67.7	102.2
Total contingent liabilities	**-**	**-**	**67.7**	**102.2**

NOTE 26

Related parties

Relations with related parties

The Parent Company has a related party relationship with its subsidiaries, see Note 27.

Summary of transactions with related parties

SEKm	Years	Sales and purchases of goods/services to affiliates	Interest income	Receivables from related parties at 31 December	Interest expenses	Liabilities to closely related parties at 31 Dec.
Group						
Associated companies	2019	-12.6	-	-	-	1.2
Associated companies	2018	-12.2	-	-	-	2.5
Parent Company						
Subsidiaries	2019	65.5	62.2	1,885.1	-	853.4
Subsidiaries	2018	59.2	54.6	2,364.5	-	844.4
Associated companies	2019	-3.0	-	-	-	0.0
Associated companies	2018	-4.9	-	-	-	-0.6

Receivables from subsidiaries are recognized net less reserves for expected credit losses in accordance with the requirements of RFR 2/IFRS 9. At 31 December 2019, these reserves amounted to SEK 5.9 million (7.0).

Transactions with closely related parties are priced on market terms. Sales by the Parent Company to subsidiaries pertain to services. These are priced and allocated in accordance with the Group's internal pricing documentation. Other transactions with closely related parties are priced on market terms. For receivables from, and liabilities to, Group companies, terms are in line with the market.

Transactions with key individuals in senior positions

The 2016 Annual General Meeting approved the Board's proposal on the establishment of a long-term incentive programme consisting of two parts: an issue of convertibles with the opportunity for all employees to participate and an issue of subscription warrants to approximately 50 of the company's senior executives and so-called Senior Leaders. Since the conversion price exceeded the current market price during the conversion period, no new shares were issued within the framework of the incentive programme. For more information about the incentive programme, see Note 8.

NOTE 27

Group companies

Group		Holding in %	
Holdings in subsidiaries, direct and indirect ownership	Domicile of subsidiary, country	2019	2018
-UAB WinBas	Lithuania	100	100
-INWIDO DENMARK A/S	Denmark	100	100
-FROVIN VINDUER & DØRE A/S	Denmark	100	100
-OUTLINE VINDUER A/S	Denmark	100	100
-OUTRUP VINDUER OG DØRE A/S	Denmark	100	100
-KPK DØRE OG VINDUER A/S	Denmark	100	100
-PRO TEC VINDUER A/S	Denmark	0	100
-TB EUROPE A/S	Denmark	100	100
-BØJSØ DØRE & VINDUER A/S	Denmark	100	100
-INWIDO EUROPE AB	Sweden	100	100
-INWIDO CE GmbH	Austria	100	100
-INWIDO E-COMMERCE A/S	Denmark	100	100
-SPARWINDOW Ltd	UK	100	100
-SPARWINDOW Ltd	Ireland	100	100
-JNA VINDUER & DØRE A/S	Denmark	100	100
-SÄÄSTKE OÜ	Estonia	100	100
-SPARVINDUER ApS	Denmark	100	100
-SPAREVINDUER AS	Norway	100	100
-SPARFÖNSTER AB	Sweden	100	100
-SPARFENSTER GmbH	Germany	100	100
-SPARIKKUNAT OY	Finland	100	100
-BEDST & BILLIGST VINDUER OG DØRE A/S	Denmark	100	100
-BONUSFÖNSTER AB	Sweden	100	100
-BEST & BILLIGST AS	Norway	100	100
-SWAN WINDOWS S.R.L.	Romania	100	100
-ENERGIVINDUET ApS	Denmark	100	100
-INWIDO IRELAND Ltd	Ireland	100	100
-CARLSON & CO Ltd	Ireland	100	100
-PIHLA GROUP OY	Finland	100	100
-INVENT SOLUTION OY	Finland	100	100
-KLAS 1 YHTIÖT OY	Finland	100	100
-VÄRMELUX OY	Finland	100	83
-SUOMEN LÄMPÖIKKUNA OY	Finland	100	100
-PROFIN OY	Finland	100	100
-PROFIN SYDÄNPUU IKKUNAT JA OVET OY	Finland	100	100
-PROFIN SVERIGE AB	Sweden	100	100
-LYSSAND FREKHAUG AS	Norway	100	100

Group		Holding in %	
Holdings in subsidiaries, direct and indirect ownership	Domicile of subsidiary, country	2019	2018
-LYSSAND FREKHAUG SALG AS	Norway	100	100
-FREKHAUG VINDUET AS	Norway	100	100
-SOKÓŁKA OKNA I DRZWI SA	Poland	100	100
-SOKÓŁKA OKNA I DRZWI PRODUKCJA SA	Poland	100	100
-IP GLASS SP.ZO.O	Poland	100	100
-INWIDO SUPPLY AB	Sweden	100	100
-A-LACKERING AB	Sweden	100	100
-ALAKIERNIA SP.ZO.O	Poland	100	100
-INWIDO SVERIGE AB	Sweden	100	100
-OUTLINE I SVERIGE AB	Sweden	100	100
-ELITFÖNSTER AB	Sweden	100	100
-ERA FÖNSTER AB	Sweden	100	100
-ETRIFÖNSTER AB	Sweden	100	100
-HAJOM SKJUTDÖRRAR AB	Sweden	100	100
-INWIDO FÖRSÄLJNING AB	Sweden	100	100
-ELITFÖNSTER PRODUKTION AB	Sweden	100	100
-LENHOVDA FÖNSTER AB	Sweden	100	100
-NORSJÖ KOMPONENTER AB	Sweden	100	100
-TEMAFÖNSTER AB	Sweden	100	100
-SNICKAR-PER AB	Sweden	100	100
-ELITFÖNSTER PÅ PLATS AB	Sweden	100	100
-DIPLOMAT DÖRRAR AB	Sweden	100	100
-STEELFORM SCANDINAVIA AB	Sweden	100	100
-INWIDO UK LTD	UK	100	100
-ALLAN BROTHERS Ltd	UK	100	100
-CWG CHOICES Ltd	UK	100	100
-JACK BRUNSDON & SON Ltd	UK	100	100

Accumulated cost

Parent Company, SEKm	2019	2018
At beginning of the year	2,183.3	2,044.7
Purchases and issues	67.9	138.6
Closing balance, 31 Dec.	**2,251.2**	**2,183.3**

Subsidiaries (directly owned)	Corporate identity number	Domicile of subsidiary, country	2019 SEKm	2018 SEKm	Number of shares	Holding in %
Inwido Sverige AB	556583-4693	Vetlanda	881.2	881.2	400,000	100
Pihla Group OY	1882624-9	Finland	223.2	223.2	532,130	100
Lyssand Frekhaug AS	988381063	Norway	250.0	200.0	1,700,000	100
Inwido Denmark A/S	28 84 36 15	Denmark	528.6	528.6	75,000,000	100
Sokółka Okna i Drzwi SA	0000082682	Poland	51.0	51.0	15,447,500	100
Inwido UK Ltd	1110137	UK	21.4	21.4	560,000	100
Inwido Supply AB	556625-4412	Sävsjö	100.6	100.6	20,000	100
Inwido Ireland Ltd	465489	Ireland	34.8	34.8	2	100
Inwido Europe AB	556565-5767	Vetlanda	141.7	141.7	1,500	100
A-lackering AB	556120-8827	Sävsjö	17.9	0	5,000	100
UAB WinBas	111775687	Lithuania	0.8	0.8	100	100
			2,251.2	**2,183.3**		

NOTE 28

Specifications for cash flow statement

Reconciliation of liabilities arising from financing activities

			Changes not affecting cash flow				
Group, SEKm	**CB 2018**	**Cash flows**	**Acquisitions of subsidiaries**	**Acquisition-related liabilities**	**Other**	**Exchange rate differences**	**CB 2019**
Liabilities to credit institutions	2,260.4	-326.7	0.0	0.0	0.0	34.7	1,968.5
Interest-bearing liabilities	59.1	-24.6	0.0	-35.2	0.0	0.7	0.0
Lease liabilities	4.2	-78.0	0.0	0.0	424.7	16.0	366.9
Total liabilities arising from financing activities	**2,323.8**	**-429.3**	**0.0**	**-35.2**	**424.7**	**51.4**	**2,335.3**
Parent Company, SEKm	**CB 2018**						**CB 2019**
Liabilities to credit institutions	2,156.5	-299.1	-	-	0.0	35.6	1,893.1
Liabilities to Group companies, interest-bearing	754.4	-2.1	-	-	-	1.6	753.9
Total liabilities arising from financing activities	**2,910.9**	**-301.2**	**-**	**-**	**0.0**	**37.2**	**2,647.0**
Group, SEKm	**CB 2017**						**CB 2018**
Liabilities to credit institutions	1,664.3	530.0	19.2	0.0	-4.1	51.0	2,260.4
Interest-bearing liabilities	426.4	-349.2	0.0	-32.3	0.0	14.2	59.1
Lease liabilities	5.5	-1.9	0.0	0.0	0.5	0.2	4.2
Total liabilities arising from financing activities	**2,096.2**	**178.9**	**19.2**	**-32.3**	**-3.7**	**65.4**	**2,323.8**
Parent Company, SEKm	**CB 2017**						**CB 2018**
Liabilities to credit institutions	1,582.9	528.5	-	-	-4.1	49.2	2,156.5
Liabilities to Group companies, interest-bearing	877.7	-65.5	-	-	-	-57.7	754.4
Total liabilities arising from financing activities	**2,460.6**	**463.0**	**-**	**-**	**-4.1**	**-8.5**	**2,910.9**

Adjustments for items not included in cash flow

	Group		*Parent Company*	
SEKm	**2019**	**2018**	**2019**	**2018**
Provisions	-5.7	2.1	-	-
Unrealized exchange rate differences	19.6	-14.7	38.6	-7.2
Capital gains	-1.7	-12.6	-	2.6
Other	-0.7	0.3	-	-0.6
Participations in profit/loss of associated companies	-1.7	-1.5	-	-
	9.8	**-26.3**	**38.6**	**-5.2**

NOTE 29

Transition to IFRS 16

On assessing the lease liability, the Group discounted the lease fees at the marginal borrowing rate as of 1 January 2019. The weighted average interest rate applied is 3%.

Group, SEKm	**1 Jan. 2019**
Operational lease commitments as of 31 December 2018, as disclosed in the Annual Report	402.6
Discounted by marginal loan rate as of 1 January 2019	317.9
Financial lease liabilities recognized at 31 Dec. 2018	4.2
Reasonably certain extension periods	66.5
Short-term leases and leases of low-value assets	-2.6
Lease liability at 1 Jan. 2019	**386.0**

Comparative figures as if IAS 17 had also been applied in 2019

Excerpt from statement of earnings

Group, SEKm	2019	2019	2018
	IFRS 16	IAS 17	IAS 17
Gross profit/loss	1,693.9	1,686.2	1,712.2
EBITDA	869.6	779.7	781.0
Operating profit	601.4	589.5	617.6
Financial expenses	-70.4	-58.8	-68.9
Earnings before tax	558.4	558.1	561.9
Profit for the year	**433.2**	**433.0**	**438.0**

Excerpt from statement of financial position

Group, SEKm	2019	2019	2018
	IFRS 16	IAS 17	IAS 17
Assets			
Right-of-use assets	338.4	-	-
Deferred tax assets	47.2	39.4	39.7
Other non-current assets	5,639.0	5,639.0	5,564.7
Total non-current assets	**6,024.6**	**5,678.3**	**5,604.3**
Total current assets	**1,446.0**	**1,457.9**	**1,548.9**
Total assets	**7,470.5**	**7,136.2**	**7,153.2**
Equity			
Accumulated profit incl. profit for the year	2,370.5	2,400.1	2,105.8
Total equity	**3,775.5**	**3,804.8**	**3,501.0**
Liabilities			
Non-current lease liabilities	285.3	2.6	3.3
Total non-current liabilities	**2,343.8**	**2,061.2**	**2,346.6**
Current lease liabilities	81.6	0.8	0.9
Total current liabilities	**1,351.2**	**1,270.3**	**1,305.6**
Total equity and liabilities	**7,470.5**	**7,136.2**	**7,153.2**

Excerpt from cash flow statement

Group, SEKm	2019	2019	2018
	IFRS 16	IAS 17	IAS 17
Operating activities			
Earnings before tax	558.3	558.0	561.9
Depreciation/amortization and impairment of assets	268.5	190.5	164.5
Adjustment for items not included in cash flow	9.8	9.6	-26.3
Cash flow from operating activities	**713.4**	**634.9**	**514.3**
Investing activities			
Cash flow from investing activities	**-273.7**	**-232.7**	**-629.0**
Financing activities			
Amortization of lease liability	-78.0	-1.0	-3.8
Cash flow from financing activities	**-573.8**	**-536.4**	**-53.5**
Cash flow for the year	**77.8**	**77.8**	**-248.6**

NOTE 30

Significant events after the end of the period

Covid-19

Inwido is focusing considerable attention to developments surrounding the spread of the Covid-19 virus. The company does its utmost to ensure the health of our employees, managing our impact on the communities in which we operate, especially in terms of limiting the spread of the virus, and limiting any negative effects on the business. Which impact Covid-19 will have on our business is too early to predict.

Inwido withdraws dividend proposal

On 27 March 2020, the Board of Directors of Inwido AB announced that the previously communicated dividend proposal to the Annual General Meeting 2020 of SEK 3.50 per share has been withdrawn. The Board of Directors has resolved to propose a dividend of SEK 0 per share to the Annual General Meeting on May 5.

New Board members

Kerstin Lindell and Christer Wahlquist were elected as new Board members in connection with an Extraordinary General Meeting on 21 January 2020.

NOTE 31

Key estimates and assessments

Company management has discussed with the Audit Committee the development, selection and details of the Group's key accounting principles and estimates, as well as the application of these principles and assessments.

Impairment testing of goodwill

In the calculation of cash generating units' recoverable value for the assessment of possible goodwill impairment, several assumptions of parameters have been made. These are accounted for in Note 13. However, it is management's view that considerable changes in conditions would be necessary for these assumptions in 2020 and estimations to have a significant impact on goodwill.

Valuation of deferred tax assets

In the valuation of deferred tax assets, the size of the asset in relation to the company's estimated future cash flows and the useful life of the asset shall be taken into account.

A similar assessment is made as in the calculation of cash generating units' recoverable value for the assessment of the goodwill impairment, see Note 13. The assessment is made of the individual company in those cases where this is an individual tax-paying entity, otherwise the assessment is made of the entire Group, which is the taxable unit where joint taxation applies. However, deferred tax assets are assessed over a different period other than the assessment of goodwill impairment. In most cases, an assessment is made as to whether the claim can be utilized within the time limits of the loss carryforward or whether no time limit applies for a period of five to seven years. This assessment could lead to impairment being recognized in receivables or to the reversal of previously uncapitalized loss carryforwards.

NOTE 32

Details of the Parent Company

Inwido AB is a company registered in Sweden with its domicile in Malmö. The Parent Company's shares are listed on the Nasdaq Stockholm exchange. The address of the head office is Engelbrektsgatan 15, SE-211 33 Malmö, Sweden.

The consolidated accounts for 2019 comprise the Parent Company and its subsidiaries, together called the Group. The Group also includes participations in associated companies.

Attestation by the Board of Directors

The Board of Directors and the President and CEO certify that the Annual Report has been prepared in accordance with generally accepted accounting standards in Sweden and that the consolidated accounts have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards. The annual accounts and the consolidated accounts give a true and fair view of the financial position and results of the Parent Company and the Group. The Board of Directors' Report for the Parent Company and the Group gives a true and fair overview of the operations, financial position and results of the Parent Company and the Group, and describes significant risks and uncertainties that the Parent Company and the companies in the Group face.

The Annual Report and the consolidated accounts were, as stated above, approved for publication by the Board of Directors and the CEO on 31 March 2020.

Georg Brunstam
Chairman of the Board

Anders Wassberg
Board member

Benny Ernstson
Board member

Henriette Schütze
Board member

Kerstin Lindell
Board member

Christer Wahlquist
Board member

Tony Johansson
Employee representative

Robert Wernersson
Employee representative

Henrik Hjalmarsson
President and CEO

My audit report was submitted on 31 March 2020.

KPMG AB

Thomas Forslund
Authorized Public Accountant

Linda Bengtsson
Authorized Public Accountant

The consolidated statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet are subject to the approval of the Annual General Meeting on 5 May 2020.

Auditor's Report

To the general meeting of the shareholders of Inwido AB (publ), corp. id 556633-3828

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Inwido AB (publ) for the year 2019, except for the sustainability report on pages 55. The annual accounts and consolidated accounts of the company are included on pages 53-98 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the sustainability report on pages 55. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Valuation of goodwill and the Parent Company's holdings in Group companies

See disclosure 13 and accounting principles on pages 74 and 75 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

On 31 December 2019, the group reported goodwill of SEK 4,337.0 million. The carrying amount has been subject to impairment testing which involves both complexity and a significant element of judgement. Impairment testing has been performed for all of the cash-generating units that have associated goodwill, which for the Group involves three different units.

In accordance with IFRS, impairment testing is to be performed according to a specific technique requiring management to make projections about the operations' internal and external conditions and plans.Examples of such judgements are future casch flow, which, among other things, require assumptions about future market growth, purchases of goodw and services, personnel expenses and efficiency.

Another important assumption is the discount rate to be used to reflect market assessments of the time value of money and the specific risks to which the units are exposed.

As per 31 December 2019, the Parent Company reported shares in Group companies for SEK 2,251.1 million. If there are indications of significant impairment, for example, if the value of the shares exceeds the consolidated value of each Group company, the same type of testing is performed, using the same technique and inputs, as for consolidated goodwill.

Response in the audit

We have inspected the impairment tests that have been performed to assess whether they have been prepared in accordnace with the prescriped techniques.

We have also assessed the reasonableness of the assumptions regarding future cash flows by reviewing and assessing the four-year business forecasts on which the testing is based. We have also interviewed Group management and evaluated the previous year's estimates of future cash flows in relation to actual outcome.

We have also assessed the discount rate applied and involved our valuation specialists in this part of the audit, mainly with regard to the assumpltions about the rate of return associated with external markets.

An improtant aspect of our work has also been reviewing the Group's sensitivity analysis of the valuation in order to determine how reasonable changes in Group management's assumptions may affect the valuation.

We have also assessed the content of the disclousures on the impairment testing as provided in the annual and consolidated accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-42, 48-50, 102-104 as well as in the sustainability report on page 55. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Inwido AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

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

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on page 55, 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.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Inwido AB (publ) by the general meeting of the shareholders on the 3 May 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2004.

Stockholm 31 March 2020
KPMG AB

Thomas Forslund
Authorized Public Accountant

Linda Bengtsson
Authorized Public Accountant

Definitions of alternative key ratios not defined by IFRS

Inwido presents certain alternative financial key ratios beyond the conventional financial key ratios established by IFRS, in order to better understand the development of the operations and the financial status of the Inwido Group. Such key ratios should not, however, be considered a substitute for the key ratios required under IFRS. The alternative key ratios presented in this report are described below.

Income measures	Calculation	Purpose
Organic growth	Net sales including acquired growth for the current period divided by net sales including pro forma acquired growth during the corresponding period in the preceding year. The change is adjusted for exchange rate fluctuations by applying the current period's exchange rates to pro forma net sales during the corresponding period in the preceding year.	Organic growth excludes the effects of changes in the Group's structure and exchange rates, enabling a comparison of net sales over time.
Operating gross profit	Gross profit before items affecting comparability.	Key ratio used to measure how much of net sales is left to cover other expenses. The key ratio is also adjusted for the impact of items affecting comparability to increase comparability over time.
Operating EBITDA	EBITDA before items affecting comparability.	This key ratio is used to measure cash flow from operating activities, regardless of the effects of financing and depreciation rates on non-current assets. The key ratio is also adjusted for the impact of items affecting comparability to increase comparability over time. The key ratio is a central component in the bank covenant Net debt/operating EBITDA.
EBITA	Operating profit after depreciation, amortization and impairment but before deduction for impairment of goodwill as well as amortization and impairment of other intangible assets that arose in conjunction with company acquisitions (Earnings Before Interest, Tax and Amortization).	This key ratio enables comparisons of profitability over time regardless of amortization and impairment of acquisition-related intangible assets, and regardless of the corporate tax rate and the company's financing structure. Depreciation of tangible assets is, however, included, this being a measure of resource consumption necessary to generate earnings.
Operating EBITA	EBITA before items affecting comparability.	This key ratio increases the comparability of EBITA over time, since it is adjusted for the impact of items affecting comparability. The key ratio is also used in internal review and constitutes a central financial target for the operations.
Items affecting comparability	Income statement items that are non-recurring, have a significant impact on profit and are important for understanding the underlying development of operations.	A separate account of items affecting comparability elucidates development in the underlying operations.
Margin measures	**Calculation**	**Purpose**
Operating gross margin	Operating gross profit as a percentage of net sales.	This key ratio is a complement to operating margin since it shows the underlying surplus from net sales left to cover other expenses in relation to net sales.
Operating EBITDA margin	Operating EBITDA as a percentage of net sales.	This key ratio serves as a complement to operating margin, since it shows the underlying surplus cash flow in relation to net sales. The key ratio also enables comparison with other companies, regardless of each company's depreciation/amortization principles and the age structure of non-current assets.
EBITA margin	EBITA as a percentage of net sales.	This key ratio reflects the operating profitability of the operations before amortization and impairment of acquisition-related intangible assets. The key ratio is an important component, alongside with sales growth and capital turnover rate, in tracking the company's value creation.
Operating EBITA margin	Operating EBITA as a percentage of net sales.	This key ratio increases the comparability of EBITA margin over time, since it is adjusted for the impact of items affecting comparability.
Operating margin (EBIT margin)	Operating profit as a percentage of net sales.	This key ratio reflects the operating profitability of the operations. The key ratio is an important component, alongside with sales growth and capital turnover rate, in tracking the company's value creation.
Capital structure	**Calculation**	**Purpose**
Net debt	Interest-bearing liabilities and interest-bearing provisions less interest-bearing assets, including cash and equivalents.	The net debt measure is used to track the development of debt and to see the scope of the refinancing requirement. Since liquid funds can be used to pay off debt at short notice, net debt is used instead of gross debt as a measure of total loan financing.
Net debt/operating EBITDA	Net debt in relation to rolling 12-month (RTM) operating EBITDA.	This key ratio is a debt ratio showing how many years it would take to pay off the company's liabilities, provided that its net debt and EBITDA are constant and without taking cash flows relating to interest, taxes and investments into account.
Net debt/equity ratio	Net debt in relation to shareholders' equity.	This key ratio is a measure of the relationship between the Group's two forms of financing. The measure shows loan capital as a share of shareholders' invested capital. The measure reflects financial strength but also the leverage effect of borrowings. A higher debt ratio entails higher financial risk and higher financial leverage.

Interest coverage ratio	Profit after net financial items plus financial expenses in relation to financial expenses.	This key ratio indicates the company's capacity to cover its interest expenses.
Equity/assets ratio	Shareholders' equity including non-controlling interests as a percentage of total assets.	This key ratio reflects the company's financial position. A favourable equity/assets ratio provides a preparedness to manage periods of recession and financial preparedness for growth. At the same time, a higher equity/assets ratio provides lower financial leverage.
Operating capital	Total assets less cash and equivalents, other interest-bearing assets and non-interest-bearing provisions and liabilities.	Operating capital shows the amount of capital that the business requires to conduct its core operations. It is primarily used for the calculation of return on operating capital.
Return measures	**Calculation**	**Purpose**
Return on shareholders' equity	Profit after tax, rolling 12-month (RTM), attributable to the Parent Company's shareholders as a percentage of average shareholders' equity, excluding non-controlling interest (average calculated based on the past four quarters).	Return on shareholders' equity shows the total return, in accounting terms, on shareholders' capital and reflects the effects of both the profitability of the operations and of financial leverage. The measure is primarily used to analyze profitability for shareholders over time.
Return on operating capital	Operating profit, rolling 12-month (RTM), as a percentage of average operating capital (average calculated based on the past four quarters).	Return on operating capital shows how well the operations use the net capital tied up in the operations. This reflects the combined effect of the operating margin and the turnover rate for operating capital. The key ratio is mainly used to track the Group's value creation over time.
Share data	**Calculation**	**Purpose**
Earnings per share (non-IFRS)	Earnings for the period after tax attributable to Parent Company shareholders divided by the weighted average number of shares outstanding for the period before/after dilution adjusted for items affecting comparability and for impairment of goodwill as well as amortization and impairment of other intangible assets that arose in conjunction with company acquisitions.	This key ratio measures the earnings per share that the operations generate adjusted for the impact of items affecting comparability and for amortization and impairment of intangible assets.
Cash flow per share before/after dilution	Cash flow from operating activities for the period divided by the weighted average number of shares outstanding for the period before/after dilution.	This key ratio measures the cash flow per share generated by the operations before capital investments and cash flows attributable to the company's financing.
Shareholders' equity per share before/after dilution	Shareholders' equity attributable to Parent Company shareholders divided by the number of shares outstanding at the end of the period before/after dilution.	This key ratio serves to describe the scale of the company's net worth per share.

Market segment	Description
Consumer	Sales to the consumer market are conducted through the following channels: direct sales, retailers, middlemen, manufacturers of prefabricated homes, small building companies.
Industry	Sales to the industry market are conducted through the following channels: large building companies, retailers, manufacturers of prefabricated homes.

Information for shareholders

Annual Report, reports and news
At www.inwido.com, annual reports in Swedish and English can be downloaded (PDF). Printed copies can also be ordered there. Inwido can be followed by subscribing for press releases and financial reports via the website.

Financial calendar 2020
Interim report, January-March 2020........23 April
Annual General Meeting 2020........5 May
Interim report, January-June 2020........15 July
Interim report, January-September 2020........21 October

2020 Annual General Meeting
Inwido's Annual General Meeting will be held on Tuesday, 5 May 2020, at 3.00 p.m. CET, at Malmö Börshus, Skeppsbron 2, Malmö, Sweden. Registration for the Meeting will commence at 2:30 p.m. CET. The full notice, including the proposed agenda, is available on the website www.inwido.com

Right to participate
Shareholders who are entitled to participate in the Meeting are those who:
- are entered in the share register of the company maintained by Euroclear Sweden AB on 28 April 2020,
- notify the company of their intention to attend the Meeting by 28 April 2020, 4:00 p.m. CET.

Nominee-registered shares
Shareholders who have had their shares nominee-registered must temporarily re-register the shares in their own name with Euroclear Sweden AB in order to participate in the Meeting. Such registration must be completed by 28 April 2020 at the latest. This means that shareholders must instruct their nominees in sufficient time prior to this date.

Notification of participation
The notification shall state the name, personal identity number (corporate registration number), shareholding, telephone number and any proxies and/or the name of the participant's assistant. For shareholders represented by proxy, power of attorney shall be submitted before the Meeting. Anyone representing a legal entity must present a copy of the registration certificate or similar papers of authorization.

Post:
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Label the envelope "Annual General Meeting 2020"
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SE-211 33 Malmö

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