

# Sustainable waterproofing and building solutions



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# SUSTAINABLE WATERPROOFING AND BUILDING SOLUTIONS

Nordic Waterproofing is one of the leading providers in the waterproofing market in northern Europe. The Group develops, manufactures and distributes a full range of products and solutions for the protection of buildings and infrastructure. Ease of installation, energy and environmental optimization are key components of the offer.

FOUNDED  
IN **2011**

LISTED ON NASDAQ  
STOCKHOLM, MID CAP **2016**

NUMBER OF  
EMPLOYEES  
**1,033**

OPERATIONS IN  
**10**  
COUNTRIES

SALES IN 2018 (SEK M)  
**2,680**

In 2018, Nordic Waterproofing acquired the company Veg Tech, whose products provide further advantages to a group that is already the leader in waterproofing membranes. Among their advantages, sedum coverings slow the progress of surface water and improve energy efficiency and air quality. Other benefits are that sedum roofs also aid biodiversity and add herbaceous details to the urban environment.

Customers are predominantly construction companies and municipalities seeking holistic green solutions that are easy to install and offer a clear sustainability profile. Other important target groups are architects, technical consultants and other specialists, serving as advisers to companies and municipalities.



For environmental reasons, Nordic Waterproofing does not print the 2018 Annual Report.

## A BROAD PORTFOLIO OF PRODUCTS AND SOLUTIONS

Nordic Waterproofing operates in close proximity to its customers, providing high-quality, innovative sealing products and services through local companies with strong brands.

### PRODUCTS & SOLUTIONS

# 72%

of net sales for 2018\*

### INSTALLATION SERVICES

# 28%

of net sales for 2018\*



\* Excluding intra-Group sales.

## NORDIC WATERPROOFING AS AN INVESTMENT

- We are a market-leading supplier with strong brands in waterproofing and effective solutions in prefabricated elements, installation and maintenance services. Read more about our market positions on pages 10–13.
- We apply efficient production processes, maintaining a high and even level of quality. Read more about our strategies on pages 16–19.
- We have strong and stable cash flow with good dividend capacity. Read more about our dividend policy on page 60 and comments on the cash flow statement on pages 32–33.
- The number of full-time employees averages 1,033. The Group's management team has long and solid experience of the sector from both international and local operations. Together we have developed Nordic Waterproofing into a leading player in the waterproofing market with supporting solutions. Read the presentation of Group Management on pages 52–53.

# SUSTAINABLE GROWTH

I am pleased to report our best year ever with continued strong sales growth and record profitability. In addition, and in accordance with our strategy, we were able to make three acquisitions in 2018 which are performing successfully.

## 2018 IN NUMBERS

Consolidated net sales for full-year 2018 amounted to SEK 2,680 m, an increase of 23 percent, and EBITDA before items affecting comparability rose by 16 percent to SEK 286 m. Earnings per share for full-year 2018 were SEK 6.30 (5.71). The operating cash flow of SEK 192 m (164) was the result of increased earnings. The Board of Directors accordingly proposes a dividend of SEK 4.00 per share (3.75).

## ACQUISITIONS GEARED TOWARDS SUSTAINABILITY

All our acquisitions in 2018 – Ugilt, RVT and Veg Tech – demonstrate our fundamental commitment to environmentally efficient building solutions. Ugilt and RVT both offer wood based prefabricated element solutions that contribute significantly to reducing greenhouse gas emissions by binding CO<sub>2</sub>, and increase on site construction efficiency thus reducing the environmental footprint.

Veg Tech produces and installs green infrastructure solutions thus helping to mitigate the climatic effects of global warming. All of the acquired operations have developed well in 2018 and thus contribute to our Group's success.

In early 2019 we acquired Distri Pond, a Belgian specialist supplier of ponds and green infrastructure.

## BUSINESS ENVIRONMENT

2018 was characterized by a stable demand situation from our key customer segments. Price increases in key raw materials continued over the year and we had to adjust our sales prices for bitumen based products. The second price increase took place after the summer, with the initial effect becoming apparent in the fourth quarter.

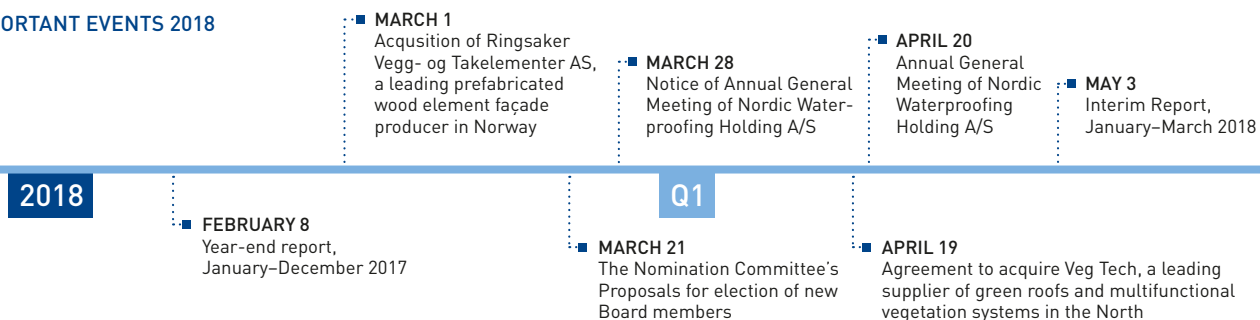
We can expect continued volatility in bitumen prices, mainly as a result of political measures affecting oil prices.

In the Products & Solutions segment, Sweden, Norway and Denmark showed strong development and were affected favourably by the mild weather.

In the Installation Services segment, our Finnish flat roofing operation showed improved profitability due to a targeted program launched in late 2017. Our Danish franchise companies continued to develop well.

**WE CONTINUOUSLY LOOK FOR OPPORTUNITIES TO FURTHER ENHANCE OUR PORTFOLIO WITH ENERGY EFFICIENT AND SUSTAINABLE SOLUTIONS FOR THE CONSTRUCTION INDUSTRY"**

## IMPORTANT EVENTS 2018





## 2018 WAS OUR BEST YEAR EVER, WITH SALES GROWTH OF 23% FOLLOWING A 21% INCREASE IN 2017, AND RECORD FINANCIAL RESULT”

In prefabricated elements, RVT’s operations in Norway developed favourably with very strong order intake, while we have been negatively affected by delays among Taasinge’s Danish customers. Although outbound deliveries and production efficiency increased towards the end of 2018, we still face challenges in fully adapting our production planning to this situation.

### ESG AND SUSTAINABILITY

Starting from a strong base, we are working towards achieving ESG excellence both in our legacy operations and through our aforementioned acquisition strategy.

We at Nordic Waterproofing have the ambition to contribute significantly towards making buildings and infrastructures, as well as the construction process itself, sustainable and climate efficient.

We take responsibility in our local communities through a large number of

initiatives. We adhere to the Global Compact’s principles and have won recognition as a quality employer.

### 2019 AND BEYOND

We continue to focus on organic growth, profitability and selective acquisitions. Organic growth is expected to derive primarily from the development of our latest acquisitions, leveraging our platforms for prefabricated elements, Taasinge Group, and for green infrastructure, Veg Tech and Distri Pond.

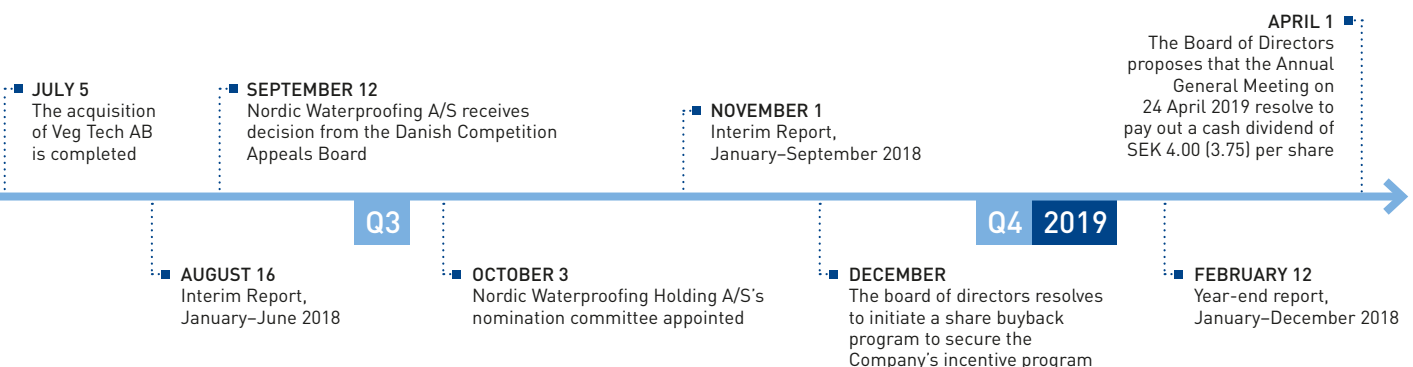
Our selective acquisition strategy will continue to focus on small and medium-sized companies offering good synergistic potential with our existing operations. Portfolio extension, exposure to megatrends and downstream integration remain the key drivers.

### CONCLUSION

2018 was our best year ever, with sales growth of 23 percent following a 21 percent increase in 2017, and record financial results. This has been achieved thanks to the commitment, creativity and enthusiasm of all our colleagues here at Nordic Waterproofing, and the continued trust and loyalty of all of our customers. I want to thank all my colleagues for their contribution, and all of our customers for their support.

*Martin Ellis*

President and CEO of  
Nordic Waterproofing Holding A/S



# 2018 IN BRIEF

+23%



Nordic Waterproofing continued to perform well and 2018 was the best year ever. Net sales rose by 23 percent to SEK 2,680 m (2,187).

+8%



Operating profit (EBIT) before items affecting comparability for the full-year 2018 rose by 8 percent (-7) to SEK 224 m (208). Operating margin before items affecting comparability decreased to 8.4 percent (9.5).

+3%



Organic growth was 3 percent (5) for 2018.

+10%

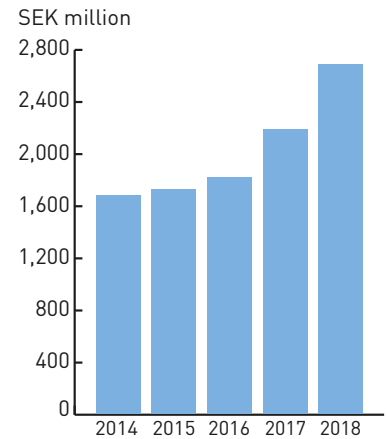


Earnings per share for the full-year 2018 were SEK 6.30 (5.71), an increase of 10 percent (-12).

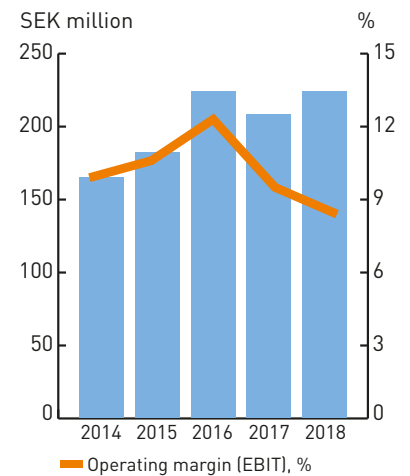
SEK 4.00

The Board of Directors will propose that the Annual General Meeting on 24 April 2019 resolve to pay out a cash dividend of SEK 4.00 (3.75) per share, totalling SEK 96 m (90). This corresponds to about 64 percent of net profit.

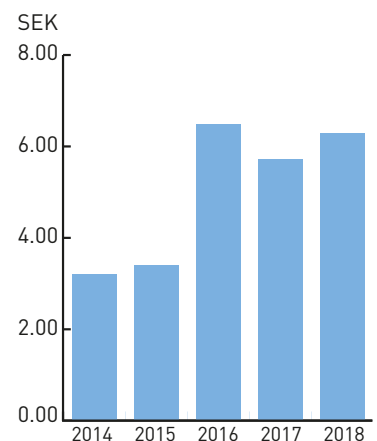
## NET SALES



## EBIT BEFORE ITEMS AFFECTING COMPARABILITY AND EBIT MARGIN



## EARNINGS PER SHARE



# MULTI-YEAR OVERVIEW

## CONSOLIDATED FINANCIAL REVIEW

Shown over a seven-year period, the development of the Group is described by the following financial highlights

SEK m unless otherwise stated	2018	Change	2017	2016	2015	2014	2013	2012
<b>Profit/loss</b>								
Net sales	2,680	23%	2,187	1,813	1,720	1,679	1,668	1,672
EBITDA	274	17%	234	231	165	143	141	97
EBITDA before items affecting comparability	286	16%	248	248	204	187	161	130
Operating profit (EBIT)	212	10%	194	206	143	122	122	77
Operating profit (EBIT) before items affecting comparability	224	8%	208	224	182	165	142	110
Net financial items	-22	10%	-20	-13	-27	-25	-30	-37
Profit/loss for the year before tax	190	9%	174	193	116	96	92	40
Tax on profit/loss for the year	-39	5%	-37	-37	-34	-19	-21	-13
Net profit/loss for the year	152	10%	138	156	82	77	71	27
Earnings per share, SEK/share	6.30	10%	5.71	6.49	3.40	3.19	2.95	1.13
<b>Balance sheet</b>								
Total assets	2,127	21%	1,756	1,568	1,345	1,345	1,238	1,220
Net investments in property, plant and equipment	36	80%	20	10	27	15	24	19
Capital employed	1,653	21%	1,370	1,317	1,071	1,083	1,021	975
Capital employed excluding goodwill	774	22%	637	701	472	469	431	393
Equity	1,106	10%	1,010	964	748	683	596	524
Net interest-bearing debt	442	117%	204	25	141	259	361	404
<b>Cash flows</b>								
- from operating activities	185	47%	126	128	153	158	85	60
- from investing activities	-311	96%	-159	-19	-29	-20	-16	-73
- from financing activities	73	n/a	-140	31	-75	-61	-51	16
Total cash flow for the period	-53	-69%	-173	140	49	78	18	2
Operating cash flow	192	17%	164	211	197	189	133	106
<b>Ratios</b>								
EBITDA margin before items affecting comparability	10.7%	-0.6pp	11.3%	13.7%	11.9%	11.1%	9.6%	7.8%
EBIT margin before items affecting comparability	8.4%	-1.1pp	9.5%	12.3%	10.6%	9.9%	8.5%	6.6%
Operating cash conversion	67%	1pp	66%	85%	97%	101%	83%	82%
Net debt/EBITDA before items affecting comparability, multiple	1.5x	0.7x	0.8x	0.1x	0.7x	1.4x	2.2x	3.1x
Net debt/equity ratio, multiple	0.4x	0.2x	0.2x	0.0x	0.2x	0.4x	0.6x	0.8x
Solvency: equity/assets ratio	52%	-5pp	57%	61%	56%	51%	48%	43%
Return on shareholders' equity	14.5%	0.6pp	13.9%	18.2%	11.4%	12.1%	12.7%	5.6%
Return on capital employed	14.0%	-0.4pp	14.4%	17.3%	13.2%	11.5%	12.2%	8.0%
Return on capital employed before items affecting comparability	14.8%	-0.7pp	15.5%	18.7%	16.9%	15.7%	14.2%	11.5%
Return on capital employed before items affecting comparability excluding goodwill	31.7%	0.7pp	31.0%	38.1%	38.7%	36.8%	34.4%	28.4%
Number of employees, FTE	1,033	24.%	830	630	634	644	635	634



Morphing roof of the Amos Rex museum in Helsinki. KerabitPro and the client, Fastighets Ab Glaspalatset i Helsingfors, have built an exciting roof in the Finnish capital. The roof of the Amos Rex art museum was made into a yard cover with a folded structure. The work included tilt casting, waterproofing, thermal insulation work, protective castings and surface rendering on foam glass.





# STRATEGY AND OPERATIONS

Nordic Waterproofing's strategic focus is to generate value for its customers, prioritizing strong relationships at all stages, all the way to the end users. The Group's companies hold a favourable position in a market in which quality and sustainability are crucial factors in generating profitability and driving development opportunities. We continue our focus on organic growth, profitability and selective acquisitions.

Organic growth will come from the development of our recent acquisitions, building on our new platforms in prefabricated elements and green roofs and surfaces.

Regarding acquisitions, we maintain our focused and selective approach on small to medium sized companies presenting good synergistic potential with our existing businesses, in order to:

- enhance our product and service offering
- benefit from mega trends in the construction industry, and
- forward integrate.

# DRIVING FORCES IN THE WATERPROOFING AND CONSTRUCTION MARKET

Nordic Waterproofing's ability to grow and create value in its home markets is affected by a number of external factors and drivers. Some of these variables – macroeconomic as well as more sector-specific – are presented below.

## DEMOGRAPHICS AND ECONOMICS

### GDP TREND AND POLITICAL FACTORS

In general, the development of the waterproofing market follows the overall national GDP trend, as well as the broader construction market. Strong GDP growth favours the broad construction industry with more construction starts and higher volumes, weaker periods mean greater focus on maintenance and repairs. In periods of lower activity, it has been common for governments to initiate construction and civil engineering projects to stimulate the economy. Greater uncertainty in the geopolitical situation may lead to a changed view on state aid and funding, postponement and delays, as well as changes in strategies.

### MAINTENANCE AND RENOVATION

Renovation of waterproofing is less dependent on the business cycle and is normally not affected by a recession. Neglected maintenance, especially of waterproofing, leads to costly consequences which constitutes a key driver to ensuring frequent monitoring and maintenance. In the long term, increased building stocks lead to a growing market.

The sustainability perspective contributes to increasing demand for good quality in roofing products and preventive activities, such as annual controls and more frequent maintenance of roofs and façades.

### URBANIZATION

Increasing urbanization is leading to a housing shortage in major cities. Most of the Nordic capitals remain among the top-ten fastest-growing cities in Europe, leading to higher demand for construction projects in these regions. In the Nordic countries, the public sector accounts for a significant share of construction investment, contributing to steadier demand even during periods of recession.

## SUSTAINABILITY AND RESPONSIBILITY

### ENVIRONMENT

As cities become larger and denser, the importance of sustainable construction and infrastructure systems increases. To meet the challenges of the future, housing and work environments are needed that have a minimal environmental impact and maximum resistance to climate change. The focus is on reducing the climate footprint, industrial symbiosis (reuse of materials) and energy-efficient and renewable materials.

Green roofs, living walls and parklands – also known as ecosystems in urban environments – are all vital parts in cities that are welcoming to all people and animals. Well-functioning ecosystems

provide increased ratios of health and wellness, while biodiversity and green infrastructure grant the general public access to new and larger parts of the urban environment.

### COMPETITION FOR SKILLS

Being able to attract and retain well-trained, skilled employees is crucial to competitiveness in many industries, including the construction industry. Having employees with broad experience and of different backgrounds generates the conditions for new insights and methods to emerge, as well as strong customer relationships.

### TAKING RESPONSIBILITY

Issues of responsibility, environmental impact, business ethics and control of both the internal organization and the external supply chain are becoming increasingly important and are a decisive factor in how different stakeholders assess the business.

Photo: Ken Stuen



Julie Olasveen and Rawand Mohamed are two young engineering engineers assisting RVT with digitalization in prefabricated wooden elements.

## RAPID STAGES IN DIGITALIZATION PROCESS

### STUDENTS FROM NTNU TO RAISE THE PACE AT RVT

Even before finishing their training in engineering at the Norwegian University of Science and Technology (NTNU), Julie Olasveen and Rawand Mohamed had secured employment at RVT. In their studies, they focused on digitalization in the construction industry, which helps RVT meet its promise that “customers can expect creative processes, creating beneficial element solutions for each individual project.”

Together with several fellow students, Julie and Rawand contacted RVT to obtain data for their essays on the principal theme of further developing a new type of composite “stender”, that is, the wooden parts of the wall elements that RVT manufactures. They continued by working in groups, with Rawand writing his essay on construction physics and Julie writing hers focusing on calculating the strength of “stender”. Their papers were awarded the highest grade.

During the work on the essays, RVT considered what the next step in the collaboration should be. Recruiting students was new for RVT, and therefore a bit of a gamble, but also an entirely deliberate effort to bring in new skills that could contribute to new projects, knowledge on digitalization and the courage to adopt new approaches. Another aspect to this involved encouraging more women to realize the opportunities open to them in the construction industry and at RVT.

“We wanted to study and work with something that is sustainable in the long term,” explains Rawand. “I am now writing my master’s thesis on the topic of digital construction processes, which is an aspect of increasing importance in the prefab industry. The transition from 2D modelling (paper and pen) to 3D modelling (BIM and AutoCAD) is still in its early stages, so it’s very exciting for us to be involved in contributing to this development.”

“For me, this was one of the most attractive aspects about RVT,” Julie concludes. “There is a willingness to learn about how new approaches can simplify various parts of the construction process, and, as students, I think we can help hasten the transition.”

## TECHNICAL DEVELOPMENT

### DIGITALIZATION

The construction industry has begun a significant and necessary digitalization process, which will last for several years. This digitalization will affect all aspects of the value chain, from purchasing, design and manufacturing to how the products are marketed and the development of new construction and maintenance services. This means shorter lead times, less inventory and lower costs, as well as an increased need for skills development among employees, designers and customers.

### PREFABRICATION

Building elements, such as prefabricated roof and façade elements based on wooden frame constructions are built with the same materials and to the same building codes and architectural specifications as traditional construction. Once assembled, they are virtually indistinguishable from their site-built counterparts.

In establishing efficient, profitable construction processes, there is a growing need for prefabrication and information sharing for all parties involved in a project. Prefabrication (prefab) is an important component in a more efficient supply chain and in the effort to reduce construction costs and shorten lead times. Underlying this development are factors such as increasing demands for quality at all stages, and on system and concept solutions where technically more advanced manufacturing cannot be performed at construction sites, as well as increased standardization.

Other benefits of modular construction include:

- When building in a factory, waste is reduced by efficient logistics and by recycling materials, controlling inventory and protecting building materials and equipment. In addition, this allows using dry materials, the potential for high levels of moisture being trapped in the new construction is eliminated. Indoor working conditions are also increasingly favoured by construction workers.
- Most of the construction is carried out indoors, which mitigates the risk of weather delays. Buildings are occupied sooner, creating a faster return on investment.
- Safer construction as the indoor environment reduces the risks of accidents and related liabilities for workers.

Prefabrication of building elements relies on advanced Building Information Modeling (“BIM”) for visualization, to assess the energy performance and identify the most cost-effective efficiency measures. Prefabrication is ideal for digitalization, systematizing the construction process, materials and human resources and facilitating the use of robots.

# THE MARKET: INCREASING DEMAND FOR SYSTEMS AND RELATED SERVICES

Nordic Waterproofing operates primarily in the waterproofing market, a sub-market within the broader construction market. The value of the total waterproofing market for buildings in the Nordic region is estimated to amount to approximately SEK 15 billion. The value of the European market for EPDM products is estimated at about SEK 1.5 billion.

The waterproofing market comprises both products and services for protecting homes, commercial properties and other facilities against water and wind.

In the Group's main markets – the Nordic countries of Sweden, Denmark, Finland and Norway – Nordic Waterproofing provides waterproofing products and solutions. The primary product offered is roofing felt, and the principal material is bitumen. Acquisitions have complemented the Group's offering with prefabricated elements for floors, walls and roofs. Following the acquisition of Veg Tech, the Group is also offering a broad assortment of green roofs and vegetation technology. In Finland the Group also provides proprietary installation services for roofing and floor coating.

The Group offers different types of rubber membranes made of the synthetic rubber material EPDM through its sales organization in Belgium, the Netherlands, Poland, Sweden, the United Kingdom.

## FOCUS ON SYSTEM SOLUTIONS FOR OPTIMIZED BUILDING

The waterproofing market is consolidated, and the market shares tend to remain stable over time. The industry requires local production, since transportation costs account for a considerable proportion of the total costs (high weight in proportion to the value of the product) and since customers expect short delivery times (requiring

manufacturers to have reliable and efficient logistic solutions).

Production processes in the industry involve a high level of automation, reducing competition from countries able to take advantage of low-cost labour. The various waterproofing markets are characterized by differences in construction regulations and traditions.

The market for prefabricated elements is in an early phase of growth. Demand for larger elements such as walls, roofs and façades is increasing due to stricter quality requirements, increased opportunities for automation and coordination of various logistics streams. Ultimately, prefabrication can also offer improved finances in individual projects, involving both residential and commercial properties. In a construction market with declining volumes, construction companies can choose to increase the degree of site-based core units and walls, which may affect demand for simpler prefab products.

## TWO BUSINESS SEGMENTS

Nordic Waterproofing's operations are structured in two operating segments: Products & Solutions, and Installation Services.

### Products & Solutions

The total value of the Nordic products and solutions market is estimated at approximately SEK 5 billion. The products and



solutions market segment can be further broken down into:

- Roofing products, including products for flat and pitched roofs made primarily of bitumen roofing felt, PVC, EPDM (rubber membranes) and TPO (thermoplastic olefin, a synthetic plastic material) and products for roofing accessories, such as fastening devices.
- Building products, including various types of membranes for buildings, such as moisture, wind and vapour underlay barriers made of bitumen and EPDM.
- Prefabricated elements include prefabricated construction components such as façade elements, floor elements, walls and sandwich wall elements.

Flat roof houses are an important category of customers for Nordic Waterproofing. Nordic Waterproofing will install a total 700 square metres of sedum roofing on the Central Park properties in Lund. The work is scheduled to be fully complete in the spring of 2019.



Production is conducted indoors in a controlled environment, which is a precondition for being able to maintain a high and even level of quality and to meet increasing requirements regarding improved working environment and more advanced technology.

#### Installation Services

The Installation Services segment includes installations of waterproofing products, as well as maintenance services. The total value of the Nordic installation services market is estimated at approximately SEK 10 billion, corresponding to approximately 70 percent of the total waterproofing market in the Nordic region.

#### CONSTRUCTION MARKET

Construction of housing and domestic structures, including outbuildings and garages, predominantly flat-roofed buildings, represents an important customer category for Nordic Waterproofing. Over the past five years, the Nordic market has grown by about 20 percent, although production is believed to have peaked in 2018 or 2019.

#### Roofing market

The Nordic roofing market is developing in line with the general construction market, with lower variation between different stages of the economic cycle due to a greater element of renovation and maintenance assignments involving installation of

waterproofing membranes. A market with a greater element of industrial and commercial buildings with flat roofs generates greater demand for Nordic Waterproofing's products and services than a market in which single-family homes and smaller buildings dominate. Demand is generally stable in the Group's markets.

#### Stable renovation market

Renovation is less affected by the general economic cycle. Renovation is estimated to account for almost 60 percent of the Nordic construction market and new-build for slightly more than 40 percent. The Nordic renovation market did not decrease during the 2007-2009 economic recession, while

the new-build market declined by 27 percent. Accordingly, exposure to the renovation market would appear to strengthen the Group's operations.

The renovation market is driven by:

- Composition and age of property stocks.
- Renovating buildings is usually cheaper than building new ones. In addition, inadequate maintenance could incur considerable costs due to water damage, for example, making renovation decisions crucial. As a result, the renovation market is relatively stable and less cyclical compared with new production.

The Group's markets can also be broken down by type of building, such as residential and commercial properties. It is estimated that around 70 percent of the value of the total waterproofing market in the Nordic region is attributable to commercial properties and other facilities (bridges for example). The higher proportion of commercial properties is attributable to these more frequently having flat roofs compared with residential properties.

#### VALUE-GENERATING SERVICES

To an increasing extent, customers, both professionals and private individuals, demand customized solutions combining broad and deep product ranges with expertise on materials, service, advice/training and specialist skills. Nordic Waterproofing has for some time invested in training of roofing contractors and other professionals, as well as representatives of building merchants. In addition to training and inspiration initiatives, the Group is expanding its value-generating services to be able to advise building merchants on matters such as permits, supervision and inventory optimization. Private individuals are increasingly aware of the benefits of annual roof checks, roof clearance, gutter clearance and receiving advice on investments and supplier contacts.

#### Logistics

Good availability is a decisive competitive factor and Nordic Waterproofing meets these requirements through an efficient logistics network, with fast deliveries and highly reliable deliveries. Superior precision of delivery, with the right product being delivered to the right destination on time, reduces disruption to the customer's production processes. Such processes are often business-critical, and delays can cause considerable extra expense.

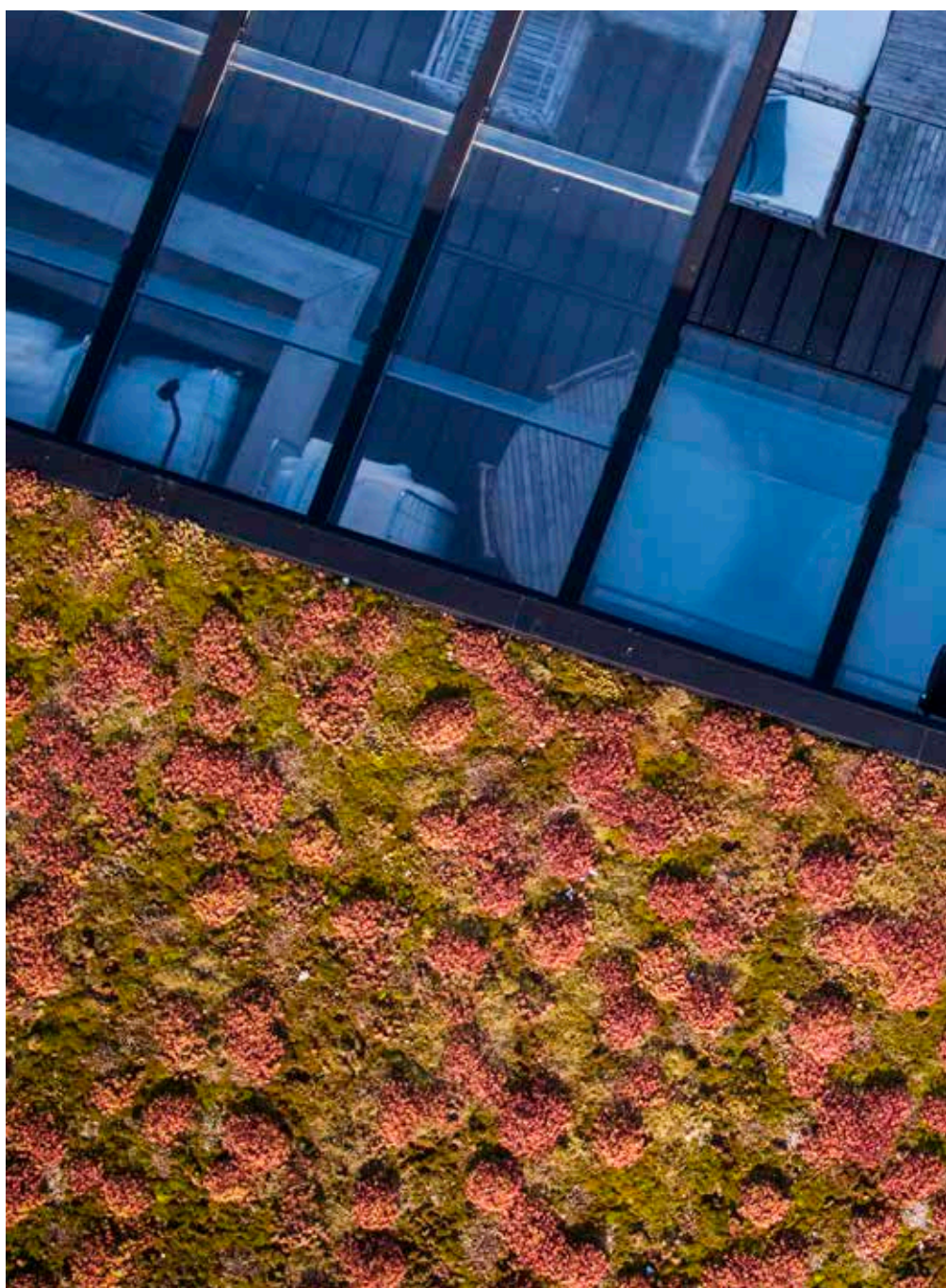
#### Digital channels

Developments in digital construction methods and sales efforts in the construction industry are increasing in importance. Clearest is the development within the Group's prefab operations where customers largely apply a continuous information flow for design drawings, assembly instructions and material specifications. In addition, production is increasingly performed by robots.

Building Information Models, or BIM, is a digital channel of considerable importance

in streamlining design processes. Although this technology is primarily used in the prefab segment, Nordic Waterproofing has, during the year, invested in development and marketing to increase knowledge of waterproofing membranes and their various properties, so that designers, architects and others who select materials can choose the optimal material and solution for the specific project.

Nordic Waterproofing is also meeting the industry's increased expectations in terms of a digital presence. Here, digital sales



channels are considered an important complement to the construction industry or roofing contractors.

Being able to offer different customer categories multiple contact paths, including digital sales channels, e-commerce, apps, information through proprietary and third-party websites, trade fairs, physical stores and personal meetings, customers are offered greater opportunities to choose the channel best suited to their needs.

The Group has extensive experience from educational material for roofing contractors

and this will be extended to offer more videos that are adapted for smartphones and other devices used on a building site. The training material covers detailed information of the products, as well as recommended methods to install waterproofing products and for maintenance of roofs and other parts of a building.

Sedum is a durable plant blend for low-incline roofs and is decorative while offering a number of environmental benefits. At the same time, good preparation with a high-quality sealing membrane is required to guarantee the roof's protective function. Nordic Waterproofing offers a range of products for green roofs.



Effective from 2021, all new buildings in the European Union are to be virtually zero-energy buildings\*. The purpose of the "Energy Performance of Buildings Directive", issued in May 2010, is to ensure, by means of strict energy requirements, that affected companies have time to adjust, while advancing development towards more energy-efficient construction in Europe. For certain public buildings, the requirements will apply effective from 2019.

The Swedish regulations came into effect in April 2017 and impose demands on a building's energy performance, defined as the amount of purchased energy used for heating, air conditioning, piped hot water and property maintenance operations. According to the Planning and Building Regulations, a building shall have "a very high level of energy performance", "particularly good properties in its use of electricity resources" and "a climate screen that allows only a small amount of heat to pass through".

Nordic Waterproofing assesses the EU directive would increase the demand for high-performing waterproofing products and supplementing services for installation.

The Group companies producing prefabricated elements have developed concepts offering cost-effective solutions for changing or supplementing existing facades and roofs with highly-insulated alternatives.

Taasinge Elements performs energy upgrades of buildings constructed in the 1960s and 1970s by mounting facade elements with superior insulation functions, reducing energy consumption and increasing the level of comfort in the indoor climate.

The roof is usually the part of a structure through which most energy is lost if there is no insulation or if the insulation is inadequate. Exchanging such parts to highly-insulating prefabricated elements is a quick and efficient way of reducing energy consumption.

Facade elements are adapted to customers' requirements regarding energy classification and visual impression. The prefabricated elements can be supplied with pre-assembled windows and other additions, in accordance with the wishes of the client.

\* Nearly zero-energy building as defined in Article 2(2) in the Energy Performance of Buildings Directive as: "nearly zero-energy building" means a building that has a very high energy performance, as determined in accordance with Annex I. The nearly zero or very low amount of energy required should be covered to a very significant extent by energy from renewable sources, including energy from renewable sources produced on-site or nearby."

# BUSINESS CONCEPT, VISION AND TARGETS

## BUSINESS CONCEPT

Nordic Waterproofing develops, manufactures and distributes innovative products and solutions for waterproofing, protecting and preserving buildings and other structures.

- Our products and solutions are supplied with the highest level of service and are characterized by the best available quality, extremely long durability, adaptation to local conditions, smart logistics, ease of installation, energy and environmental optimization.
- Good customer service is based on our employees' responsiveness and ability to understand and anticipate our customers' needs.

## OUR VISION

Make waterproofing so easy that every structure and building in the world is protected, enabling everyone to live and work in healthy, good atmosphere environments.



## OUR MISSION

*We make waterproofing easy*

Protecting people and what's important to them by creating reliable waterproofing solutions for buildings and infrastructure.



## OUR VALUES

*Enthusiasm*

We show enthusiasm for what we do, always. Whenever we take on a responsibility, we make sure we follow it through with the highest quality possible, and with accuracy to the last detail. We show pride in our individual responsibilities and never move on until we can look at our customer, fellow colleagues or a newly developed product and say: "it cannot be done better than this". We reward passion and enthusiasm, enabling people to grow within the company.

*Reliability*

Our customers trust us as a partner, as well as the products and solutions we offer. We care for that trust and do everything we can to maintain it. We nurture this by taking responsibility for ensuring that our product development, services and customer relations are characterized by first class reliability.

*Efficiency*

We are a large organization, with a well-developed, flexible and efficient logistics system. We also retain the characteristics of a small company. This is because we have created, and actively maintain, a simple structure, within which we operate. For the benefit of our customers, we cultivate a highly decentralized corporate culture geared toward efficiency and strategic targets. We trust our people's own professional judgement and promote quick decision making to help our customers, and their often challenging, time schedules.



## OUR TARGETS

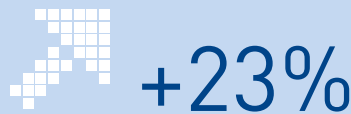
With a set of well-defined financial and strategic targets, Nordic Waterproofing seeks to demonstrate how the Group generates value for its various stakeholders over time. These targets are well-supported and integrated into the business units of the decentralized organization. The following targets are linked to the Group's strategies:



# FINANCIAL TARGETS

## SALES GROWTH

Nordic Waterproofing's goal is to exceed the growth experienced in the Group's current markets through organic growth. In addition, the Group expects to grow through selective acquisitions.

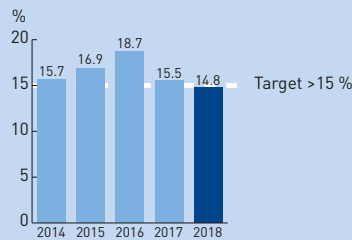


## OUTCOME 2018

Consolidated net sales increased by 23 percent to SEK 2,680 m (2,187), of which organic growth amounted to 3 percent.

## PROFITABILITY >15 %

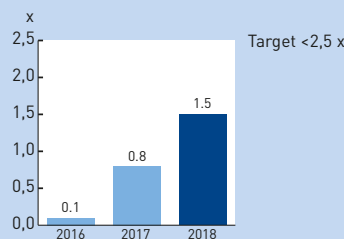
Nordic Waterproofing's goal is to generate a return on capital employed (ROCE) before items affecting comparability exceeding 15 percent.



Return on capital employed for 2018 amounted to 14.8 (15.5) percent, while the EBIT margin before items affecting comparability was 8.4 percent (9.5).

## CAPITAL STRUCTURE <2.5 x

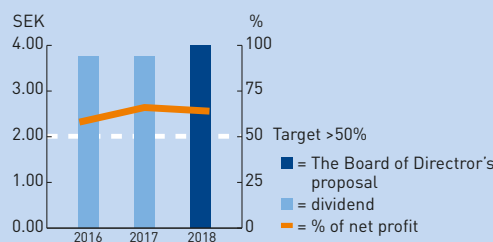
Net debt in relation to EBITDA before items affecting comparability (R12M basis), excluding temporary deviations, shall not exceed a multiple of 2.5.



At the end of 2018, indebtedness, calculated as interest-bearing net debt/EBITDA before items affecting comparability over the past 12-month period, was a multiple of 1.5 (0.8) and net debt/equity was a multiple of 0.4 (0.2).

## DIVIDEND POLICY >50 %

Nordic Waterproofing aims to pay an annual dividend exceeding 50 percent of its net profit. The proposed dividend will be based on the Group's financial position, investment needs, liquidity position, as well as general economic and business conditions.



The Board of Directors will propose that the Annual General Meeting on 24 April 2019 resolve to pay out a cash dividend of SEK 4.00 (3.75) per share, totalling SEK 96 m. This corresponds to about 64 percent of net profit.

# STRATEGIC TARGETS

In addition, a set of well-defined financial and operational targets, Nordic Waterproofing seeks to generate value for its various stakeholders over time through the following strategic targets:

- Enhance our product and service offering for our existing customers.
- Apply geographic leverage to newly acquired product and service categories.

- Benefit from mega trends in the construction industry: sustainable building solutions, energy efficiency, renewable energy sources, and site efficiency through increased exposure to prefabrication.
- Forward integration to increase exposure to end customers.

By widening and enhancing our products and services with new product categories, we foresee that the Group will increasingly become a one stop shop opportunity for customers seeking comprehensive solutions for building and infrastructure protection.

We intend to maintain our focus on small to medium sized companies presenting good synergistic potential with our existing businesses.

# STRATEGY: INCREASED FOCUS ON SUSTAINABLE BUILDING SOLUTIONS

Based on our fundamental interest in sustainability, we have built up a market leading assortment of products developed for the building envelope and solid skills in manufacturing and installation.

## SOLID POSITION IN OUR LEGACY BUSINESS

### STRENGTHS

We consider the following market characteristics to be favourable.

#### Mature and consolidated industry

The waterproofing market is consolidated, and the market shares tend to remain stable over time. The industry requires local production, since transportation costs account for a considerable proportion of the total costs (high weight in proportion to the value of the product) and since customers expect short delivery times (requiring manufacturers to have reliable and efficient logistic solutions).

Production processes in the industry involve a high level of automation, reducing competition from countries able to take advantage of low-cost labour. The various waterproofing markets are characterized by differences in construction regulations and traditions.

#### Long-term reliability is of crucial importance

Customers generally seek proven and well-established products and materials from strong brands with a long tradition of quality and expertise, since long-term reliability is of crucial importance.

The Group's well-reputed brands, combined with partnerships, training programmes, technical service and highly motivated employees have contributed to the creation of long-term relationships with customers.

#### High-quality waterproofing is crucial

Flawless waterproofing is key for a safe and sustainable building, and failure in choice of material, quality and installation could have far-reaching consequences. Waterproofing products and solutions are crucial to the construction process and account for a small fraction of the total construction cost. Thus, construction companies are sourcing the roofing from qualified installers who have the necessary understanding of the best material for the building or structure.

#### Stable demand for bitumen products

We have noted a continued preference for bitumen as the most suitable waterproofing material.

Accordingly, bitumen remains the primary choice of material in Nordic Waterproofing's markets.

#### CONTINUED STRONG MARKET SHARE

The waterproofing market in the Nordic region can be broken down into two market segments: Products & Solutions, and Installation Services.

#### Products & Solutions

- Roofing products, including products for flat and pitched roofs made primarily of bitumen roofing felt, PVC, EPDM (rubber membranes) and TPO (thermoplastic olefin, a synthetic plastic material) and products for roofing accessories, such as fastening devices.

- Building products, including various types of membranes for buildings, such as moisture, wind and vapour underlay barriers made of bitumen and EPDM.

Through acquisitions completed in 2017, Nordic Waterproofing also offers prefabricated components for floors, walls and ceilings.

In 2018, the prefab operations of Ugilt in Denmark and the Norway's leading prefabricated wood element façade producer, RVT, were acquired, as well as Veg Tech, the leading company within vegetation technology in the Nordics.

#### Installation Services

The installation services market segment includes installations of waterproofing products, as well as maintenance services.

#### STABLE RENOVATION MARKET OFFSETS POSSIBLE DECLINE

Renovation is less affected by the general economic cycle and this market is driven by favorable underlying trends. One major trend is effects of the looming shortage of fossil fuels and increased awareness of the need to reduce CO<sub>2</sub> emissions have prompted regulators, including the European Union, to move in the direction of optimizing the energy performance of buildings.

**The renovation market is driven by:**

- Composition and age of property stocks.
- Renovating buildings is cheaper than building new ones. In addition, inadequate maintenance could incur considerable costs due to water damage, for example, making renovation decisions crucial. As a result, the renovation market is relatively stable and less cyclical compared with new production.

**Direct sales to contractors**

Since flat roofing waterproofing installation require special expertise, related materials are mainly sold to installation companies. This link to end-users accounts for approximately 65 percent of the Products & Solutions operating segment's sales. The installation market is fragmented and consists predominantly of small, local companies.

**Sales via builders' merchants**

The builders' merchants level of the distribution chain is relatively consolidated, consisting mainly of large building material chains with a regional or national presence and offering waterproofing products as a small part of a wide product range. Approximately 35 percent of the Products & Solutions operating segment's sales of roofing products in the Nordic region are made through builders' merchants.

**Construction company customers**

Construction companies are either large general contractors with a global, national or regional presence or smaller contractor companies (builders and carpenters).

Construction companies that operate at both the regional and global level include Sweden's JM, NCC, Skanska and Peab; Denmark's MT Højgaard, HusCompagniet and Hoffman; and Norway's Veidekke. With regard to flat roofing waterproofing products, these companies secure direct agreements with installation companies, delivering a complete package of roofing solutions, for example Nordic Waterproofing's Installation Services.

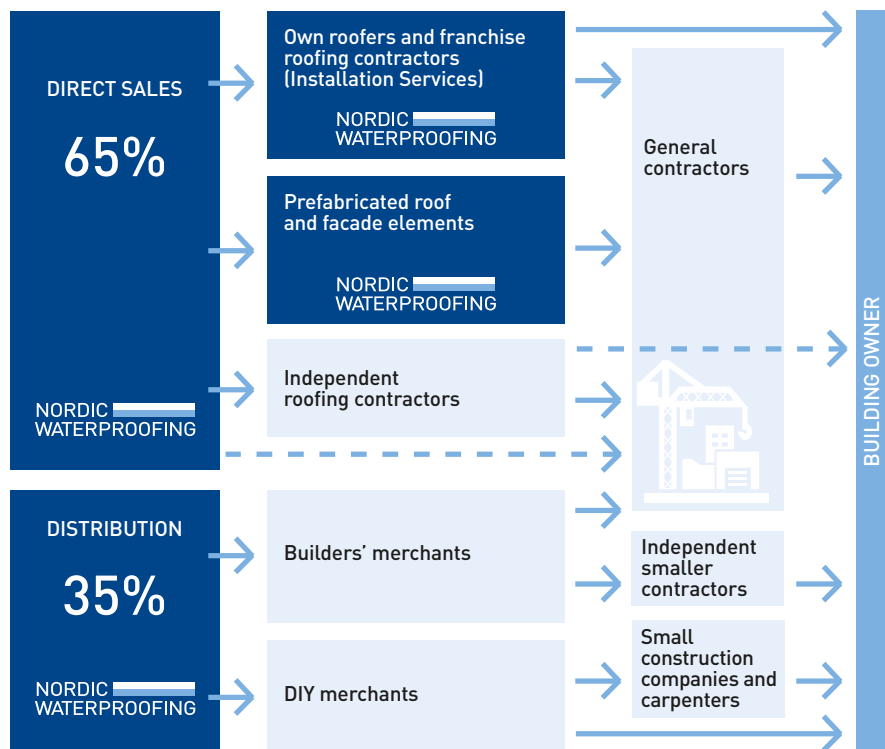
The Group's operations in prefabricated floor, wall and roof elements, also bring new customer categories in the segment of medium-sized and large construction companies, major architectural firms and other procuring companies.

The Group's specialists in the fast-growing floor covering market have a customer base consisting mainly of medium and large construction and industrial companies, as well as shipyards and their subcontractors.

**Direct sales to end-users**

End-users consist of property owners who use waterproofing products on their properties. This level of the distribution chain is fragmented and includes private real estate companies, such as Kungsleden, Castellum, Hufvudstaden and Carlsberg Ejendomme, but also Copenhagen Airport and government-owned real estate companies, such as Akademiska Hus; as well as private real estate companies.

**WELL-DEFINED SALES CHANNELS**



**RECENT ACQUISITIONS PREDOMINANTLY GEARED TOWARD SUSTAINABLE BUILDING SOLUTIONS**

Starting with the acquisition of Taasinge Elementer (Denmark) in 2017, Nordic Waterproofing entered the prefabricated wood based facade and roofing elements business. The Group has quickly increased its footprint in this sector with the subsequent acquisitions of Ugilt in Denmark, RVT in Norway and the establishment of LV Elements in Latvia.

Using wood instead of traditional inorganic building materials dramatically inverts the CO<sub>2</sub> balance, thus helping to decrease global warming. While the production of traditional materials generates significant amounts of CO<sub>2</sub>, wood has the opposite effect: it binds CO<sub>2</sub> thus helping to reduce global CO<sub>2</sub> emissions, at a rate of approximately 1 ton of CO<sub>2</sub> per cubic meter of wood.

With the acquisition of Veg Tech (Sweden) in 2018, the Group entered the supply and installation of green infrastructure. Green roofs and urban surfaces contribute towards a better environment in a number of ways. Examples are the increasing of the energy efficiency of buildings, helping manage the adverse effects of heavy rainfall on urban sewage systems by temporarily retaining rain water, and reducing urban heat islands.

With the acquisition of Distri Pond (Belgium) in early 2019, Nordic Waterproofing expanded its EPDM based building solutions to the design and installation of ponds and related landscaping solutions, as well as swimming ponds, an environmentally friendly alternative to traditional swimming pools.

## ACQUISITION RVT:

# RVT BUILDS ELEMENTS FOR WORLD'S TALLEST WOODEN BUILDING

In the small Norwegian town of Brumunddal, just north of Oslo, stands a wooden building that is 85.4 metres tall. This makes "Mjøstårnet" the world's tallest building made from this classic building material, which is used here in a new way.

Building tall wooden buildings offers considerable climate benefits. "Using wood in load-bearing structures can reduce emissions from material production by up to 85 percent," says environmental adviser and civil engineer Bård S. Solem.

Mjøstårnet and its 18 stories help to set a new standard for both height and assembly methods for wooden structures.

"We have enjoyed a good partnership with the developer, Moelven, and it feels good to now see our prefabricated wall elements sitting on the Mjøstårnet tower and protecting the building with a high-quality climate shell," says Per Arne Barli, Project Manager.

### WOODEN BUILDINGS INTEREST STUDENTS

In recent years, wooden buildings have been re-established as a strong alternative to buildings in steel, concrete or brick. Architects, designers and the construction industry have acquired new knowledge and interest in living in more climate-friendly buildings is increasing. For Ringsaker Vegg og Takelementer AS (RVT), the market has grown rapidly, and the company has good opportunities to further strengthen its position.

The fact that Nordic Waterproofing has acquired a majority in RVT, enables us to meet demand in the Norwegian market. We have a favourable collaboration with Taasinge Elements, allowing us to invest in a new production line at our unit in Moelv, as well as in Danish production units.

Interest in building in wood is also reflected in university education programmes, with more students seeking a future in an industry that has previously found it difficult to attract talent. RVT has been active and has worked strategically to interest prospective designers in prefabrication and wood. Since 2017, two students from NTNU – Norway's technical science university – have been working at RVT during their programme and both have already been offered employment once they have completed their studies.

"We participate in the entire value chain, from the drawing stage to installation. We are well-known by architects and have good relations with all of the major Norwegian construction companies. As a Nordic Waterproofing company, RVT is part of a larger group with a strong and solid platform that allows us to continue growing, safeguarding synergies, cost-effective and sustainable production, and thereby optimizing our operations in Norway," said Per Arne Barli.



Ringsaker Vegg- og Takelementer AS,  
Norway

Managing Director: Andreas Solbakken  
Barli

Number of employees: 50

Since March 2018, the company has  
been consolidated within the Products  
& Solutions operating segment.

Website: [www.rvt.no](http://www.rvt.no)



## ACQUISITION VEG TECH: FOCUSING ON GREEN ROOFS AND INFRASTRUCTURE FOR GREEN ENVIRONMENTS

Focusing on green roofs and different systems for creating green environments throughout the Nordic region, the Swedish company Veg Tech has been able to capture a significant share of a market that is expanding due to increased interest in utilizing space in densely populated areas better. Customers are primarily construction companies, other companies and municipalities seeking green, comprehensive solutions that are easy to install and offer a clear sustainability profile. Other important stakeholders are architects, technical consultants and specialists that are brought in as advisers.

The company's offering complements Nordic Waterproofing's waterproofing membrane products made of bitumen and EPDM. Both materials are used to seal roofs and facade elements, with Veg Tech's green layer bringing additional benefits, such as delaying surface water, enhancing energy efficiency and air quality. Other benefits are that the plants contribute to biodiversity and greenery in the urban environment.

"We are very pleased with the acquisition of Veg Tech. The company's strong position in vegetation technology and green roofs is a perfect complement to our existing offering of high-quality waterproofing solutions," said Martin Ellis, President and CEO of Nordic Waterproofing.

"Nordic Waterproofing has a genuine interest in our operations and we see good opportunities to expand Veg Tech's operations in Sweden and adjacent markets,"

comments Bengt-Erik Karlberg, Head of Veg Tech and a member of Nordic Waterproofing's Group Management.

Veg Tech was founded in 1987 in Vislanda and has, for several years, invested in its production capacity, machinery and employees to develop a system providing superior reliability and quality throughout the chain, from cultivation to delivery and assembly of plant systems. During the past year, Veg Tech has studied the possibility of producing biochar, a soil improver providing benefits including more efficient utilization of fertilizer and irrigation. This also allows Veg Tech to make use of residual products from the fields at its four plants in Sweden.

"Circular economy is the foundation of our business and we are working continuously to maintain our leading position within an important niche in the construction market. Being part of Nordic Waterproofing means that we can increase the pace of the company's development as a market leader in vegetation technology and sustainable construction," says Bengt-Erik Karlberg.

Veg Tech is a partner that focuses on quality. While cultivating plants in, and adapted to, the vegetation zones in which end customers are located, we also impose strict demands in other areas, such as the choice of fuel for heating and electricity and our role as employer in smaller communities. This may involve solar cells on office roofs, investments in local non-profit organizations or soil improvement products.

“ VEG TECH IS ONE OF THE FIRST CULTIVATION COMPANIES TO DEVELOP A HOLISTIC INDUSTRIAL APPROACH AND WE ARE ABLE TO PROVIDE LOCALLY GROWN PLANTS INSTALLED BY OUR OWN CONTRACTORS OR OTHER SKILLED INSTALLERS ”

Bengt-Erik Karlberg,  
Head of Veg Tech

Veg Tech AB, Sweden

Managing Director:  
Bengt-Erik Karlberg

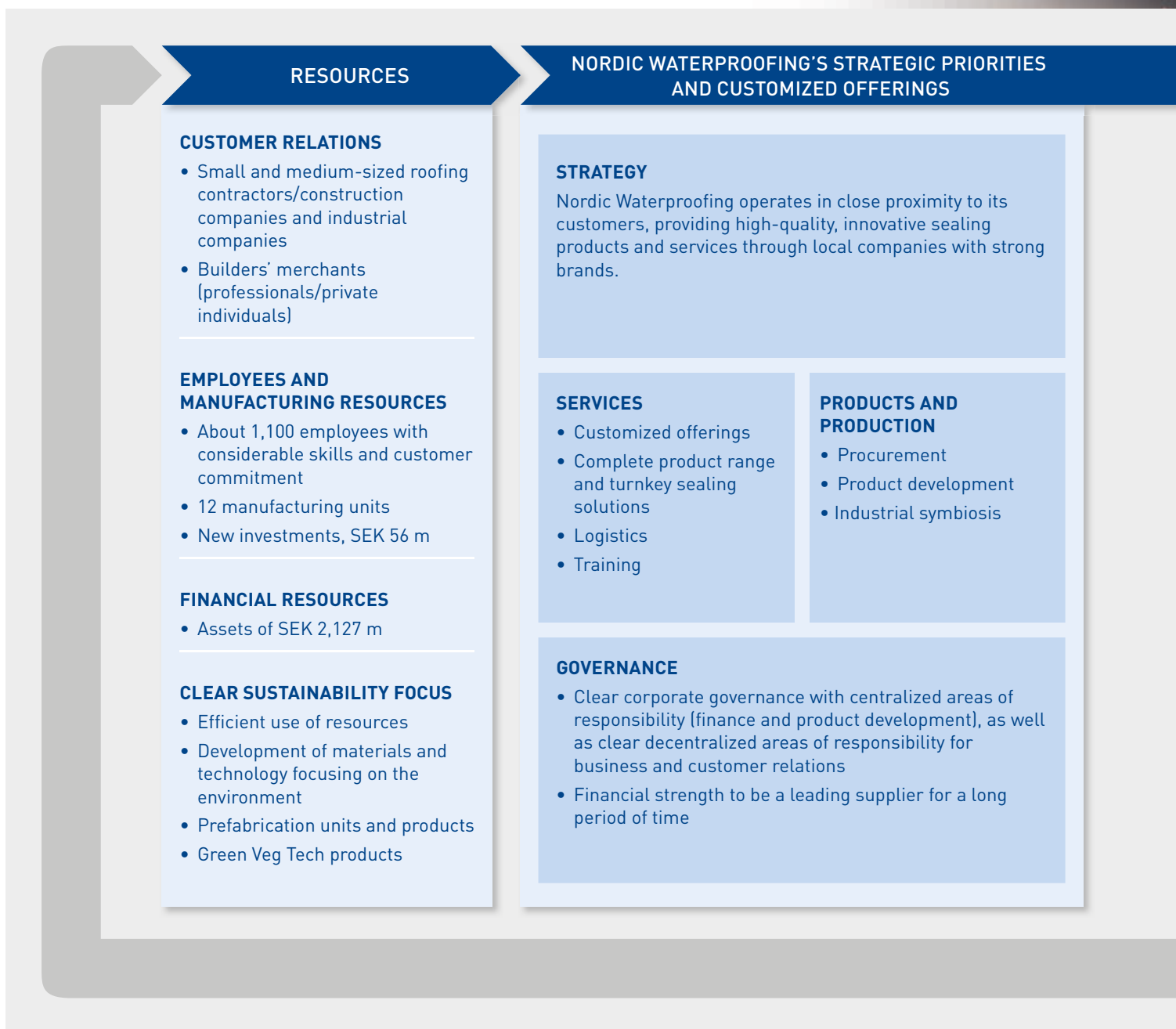
Number of employees: 45

Since July 2018, the company has been consolidated within the Products & Solutions operating segment.

Website: [www.vegtech.se](http://www.vegtech.se)

# CUSTOMER AND SUSTAINABILITY FOCUS DRIVE OUR BUSINESS MODEL

With a combination of competent employees, innovative power and robust financing, Nordic Waterproofing helps develop, manufacture and sell innovative and sustainable products and solutions.





RESULTS IN 2018

Sales:

**+23%**

EBITDA before items affecting comparability:

**+16%**

Operating cash flow:

**+17%**

Return on capital employed before items affecting comparability:

**14.8%**

Net sales per employee:

**SEK 2.6 m**

THE VALUE WE GENERATE

**CUSTOMERS**

- Sustainable products and services
- Investments in product development for sustainable and easier installation



**EMPLOYEES AND MANUFACTURING RESOURCES**

- Positive and inspiring working environment
- Continuous skills development
- Salaries, pensions and benefits, SEK 622 m



**SHAREHOLDERS**

- Proposed dividend: SEK 96 m, corresponding to SEK 4.00 per share
- Dividend yield: approximately 5%
- Sustainable and long-term profitability



**SOCIETY**

- Increase in number of employees: +203 to a total of 1,033 employees
- More jobs
- Offering that contributes to sustainable buildings and infrastructure



# OPERATING SEGMENT: PRODUCTS & SOLUTIONS

The companies within the Products & Solutions operating segment mostly offer waterproofing products and solutions for roof and façade elements. Production primarily takes place in the Group's proprietary facilities in Europe and is complemented with products manufactured by sub-suppliers, including plastic film, damp courses and moisture barriers. Nordic Waterproofing's offering in climate shells also includes prefabrication of completed wooden roof, wall and floor elements. The Group has recently acquired companies with expertise in complete green system solutions for roof and façade vegetation, green courtyards, erosion protection and water treatment.

## ROOFING PRODUCTS

The Group offers a broad range of roofing products that are adapted to different types of roofs and needs. The products provide long-term and robust protection for roofs and properties, irrespective of the climate to which they are exposed. The Group's roofing products are broken down into flat roofing waterproofing products, pitched roofing waterproofing products and roofing accessories

Nordic Waterproofing provides a well-adapted product range and works continuously with development to meet customers' demands for improvements in

the working environment (product handling and installation methods), environmental effects of manufacturing processes, including recycling and reduction of scrap in production and handling of waste. The Group also works on an ongoing basis to strengthen its relations with those whose work involves using the Group's products.

## Flat roofing – mainly non-residential buildings

The Group's products have unique technical qualities and can easily be adapted to different environments, property types and underlay.

The products are primarily made of bitumen roofing felt and of EPDM (rubber membranes) with a life span up to 50 years.

Flat roofs make waterproofing and installation particularly difficult, and this work is usually performed by professional contracting companies. These products are sold through direct sales to contractors.

## Pitched roofing – mainly residential buildings

Products installed on pitched roofs are more visible than products used for flat roofs. The design and appearance of the products are therefore important factors for the customer. These products are sold primarily to builders' merchants and are usually installed



\* During the first quarter of 2019, Nordic Waterproofing acquired Distri Pond Group, a leading distributor of pond systems in Belgium.



The "Solhuset" kindergarten in Hørsholm, Denmark is an exciting combination of appealing architecture and integrated energy design. In an innovative process, many different construction players, have applied unique facade and roofing materials, solar collectors, solar panels and heat pumps, have developed a building that meets all of the requirements that can be imposed on a positive environment for children and adults while the building produces a surplus of energy. Nordic Waterproofing has supplied different solutions for roof and wall components for Solhuset.



by private individuals and independent smaller contractors and carpenters.

In Denmark, the products are to some extent sold and installed by franchise companies partly owned by Nordic Waterproofing, while in Finland, installation services are also provided by in-house personnel through the Installation Services operating segment.

#### Accessories – for complete solutions

As a provider of complete roofing solutions, Nordic Waterproofing also offers a broad range of essential accessories that complement the Group's products, such as plastic sheets, foundations, moisture barriers and roof safety. The accessories are sourced from a number of subcontractors and often constitute an important factor in the complete solution. Accessories are sold both through builders' merchants and directly to installation companies.

#### Building products

Building products, such as building chemicals for roof installation and repairs, as well as protection against radon radiation and sealing of roof lanterns, are highly

technical and therefore often require customer support and training. Nordic Waterproofing produces building products in-house, but also sells building products purchased from subcontractors and sold mainly under the Group's own brands.

#### RUBBER MEMBRANES

Rubber membranes of EPDM or butyl rubber are primarily intended to be used for waterproofing roofs and façades, and as geomembranes in building foundations, ponds and reservoirs.

SealEco's product range consists of airtight, sound-proof and waterproof systems providing long-term environmental efficiency and energy savings for up to 50 years. The products are primarily adapted to the customer's needs and, at the Group's units, the rubber membranes are made to be easy to install. The products are sold primarily to customers in Belgium, Germany, the Netherlands, Poland, Sweden and the UK.

Following the acquisition of EPDM Systems in the Netherlands, Nordic Waterproofing rubber membrane production units have increased their productivity and

quality at all stages. The focus has been on expanding the range by introducing existing products to new market segments. The production units have also worked to reduce the amount of materials discarded and to evaluate suitable methods for recycling the residual materials left over from production.

#### PREFABRICATED ELEMENTS

Prefabricated components include customer-specific products with flat components, including façades, roofs and floors. Using 3D-based information technology and a knowledge of virtually all structure types, products can be tailored to optimally suit a specific project. The sales force and structural engineers have great technical know-how and develop the products in close dialogue with developers and architects to jointly arrive at the best design and solution.

Prefabricated components are primarily sold and marketed directly to medium-sized and large construction companies.

In March 2018, Nordic Waterproofing acquired the Norwegian company Ringsaker Vegg- og Takelementer AS ("RVT"). The company is one of Norway's leading manufacturers of prefabricated wooden façade elements for the construction



industry. RVT has annual sales of about SEK 100 m and 50 employees. The acquisition forms part of the strategy to make Taasinge Elementer, and Nordic Waterproofing, a larger player in the Nordic market for prefabricated roofing and façade elements.

Through the acquisition of RVT, Nordic Waterproofing has strengthened its presence in, and production of, high-quality prefabricated wooden roof and façade elements, currently operated under the Taasinge Elementer and LV Elements trade names. Taasinge Elementer currently has three production units in Denmark and one in Latvia, with the construction industry as its principal customer category.

#### GREEN ROOFS AND FAÇADES

Green roofs in cities help improve the environment for all living there and can increase biodiversity. Plant-covered roofs can absorb up to 50-80 percent of the rainwater falling on the roof, reducing or delaying the flow of rainwater into the drainage system and preventing sewers from becoming overloaded. Green roofs also afford buildings and the urban environment

a number of advantages, protecting the roofing membrane, insulating better against both cold and heat and absorbing a large amount of noise, dust and air pollution in the urban environment, and improving both the micro and macro climate. Accordingly, green roofs reduce the energy consumed for heating and cooling – thereby lowering carbon dioxide emissions. The construction sector applies various environmental classification models (LEED, BREAM, etc.) in which the green surface factor is a key parameter.

As part of public environments, green areas have an important part in the development of sustainable urban development. In many cities there are land areas that have potential, but are not fully utilized. Here, nature lacks the prerequisites to establish itself, but with the help of the right vegetation solutions, such as park-arteries, lush green vaults over noisy traffic routes, can be an important sustainability solution providing healthier greenbelts.

Working actively with green areas has also come to the fore as part of the municipalities' efforts to increase gender

equality. One example is the City of Gothenburg in Sweden. The council has published an Overview Plan, where it writes that "Gothenburg is a dense and green city where public places contribute to a rich and healthy city life" and "the green links are partly about increasing orientability in the city, which contributes to increased security".

In 2018, Nordic Waterproofing acquired the Swedish company Veg Tech to meet customer demand for greener environments and roofs that change with the seasons. Veg Tech offers a very broad range, including everything from plants and seeds to prefabricated vegetation mats. It also offers complete system solutions for roof and façade vegetation, green courtyards, erosion protection and water treatment.

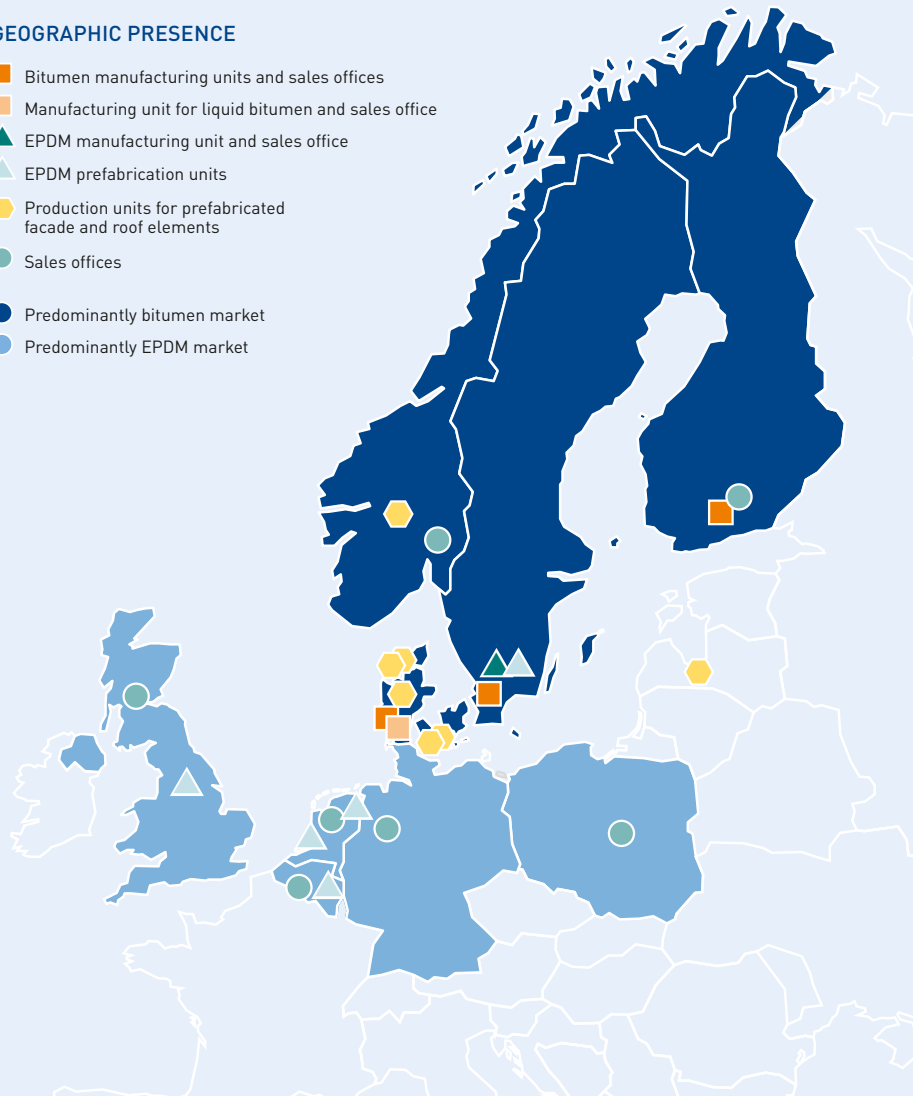
#### COMPETITORS

In addition to Nordic Waterproofing, the following major private manufacturers of waterproofing products are to be found in the Nordic market: Icopal, Katepal, Protan and Isola. The small number of local manufacturers in the Nordic market has a



**GEOGRAPHIC PRESENCE**

- Bitumen manufacturing units and sales offices
- Manufacturing unit for liquid bitumen and sales office
- ▲ EPDM manufacturing unit and sales office
- ▲ EPDM prefabrication units
- Production units for prefabricated facade and roof elements
- Sales offices
- Predominantly bitumen market
- Predominantly EPDM market

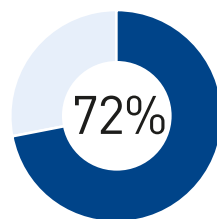


relatively fragmented customer base. In the European market for EPDM products, the competitors to Nordic Waterproofing's SealEco brand include Firestone, Carlisle and Duraproof, of which Firestone and Carlisle are estimated to be the largest and second-largest providers, respectively, with SealEco being the third-largest provider.

In the prefab operation, it is primarily the construction companies' own operations with semi-prefabricated or site-built core and façade elements that offer alternatives to ready-made elements/modules delivered on time to the location where they are to be used. In the Nordic market, there are few direct competitors to Taasinge Elementer and RVT. In Denmark, competitors include Roust Træ, and in Norway they include roof manufacturer Lett-Tak and manufacturers of wall and larger house elements Optimera, Jatak and Støren Treindustri.

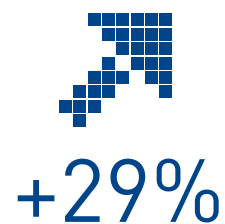
KEY FIGURES PRODUCTS & SOLUTIONS, SEK m	2018	2017
Net sales	2,023	1,568
EBITDA before items affecting comparability	270	239
Operating profit (EBIT) before items affecting comparability	216	205
Number of employees (FTE)	617	413

**PRODUCT & SOLUTIONS' SHARE OF CONSOLIDATED NET SALES, 2018\***



\* Excluding intra-Group sales.

**SALES GROWTH IN 2018**



# OPERATING SEGMENT: INSTALLATION SERVICES

The Nordic market for roofing contracting is highly fragmented due to local requirements, history and customer structure. Nordic Waterproofing offers reputable brands focusing on superior quality, expertise and local traditions, as well as cooperation with selected partners to facilitate effective marketing, delivery and sales. Well-functioning service operations can help increase customer satisfaction and open the way for profitable added sales through personal meetings with end customers.

## EXTENDED SERVICE OFFERING

The Installation Services operating segment is fully integrated into the Group's business and consists mainly of the installation, maintenance and assembly primarily of the Group's own roofing products for commercial properties and homes. In recent years, Nordic Waterproofing has supplemented roofing and installation operations with a service offering targeting home owners seeking to extend the life span of their roofs and ensure that buildings' climate shells comply with the energy values that have been set.

## ADDITIONAL SALES CHANNEL CLOSE TO THE CUSTOMERS' NEEDS

Installation Services acts as a sales channel for the Group's waterproofing products and solutions. Value is added in the direct contact with end-users, in greater understanding of the customer's needs and in educating the market of the importance of using high-quality products. The link to the end-users provides control of the entire value chain which also protects the Group's market position and brands.

## WHOLLY-OWNED SUBSIDIARIES IN FINLAND

In Finland, installation is performed by wholly owned subsidiaries under the brands AL-Katot and KerabitPro, through district offices across the country. In 2017, LA Kattohuolto, was acquired – a Finnish roofing and service company, both strengthening the Group's geographical presence and contributing a range of services that can be offered to private individuals and customers of other companies within the segment.

KerabitPro is a leading roof installer in Finland and works with all types of roofs. In addition to installation, maintenance and renovation are an important part of the service offering.





Bitumen is the most common material used in the Nordic region. The material accounts for about 80 percent of the Nordic waterproofing market for new-build of flat roofing, and 90 percent of the renovation of flat roofing.

**MINORITY-OWNED FRANCHISE COMPANIES IN DENMARK**

In Denmark, installations are offered through franchise companies under the Phønix Tag and Hetag Tagdækning brands. The franchise companies are owner-managed businesses, in which Nordic Waterproofing has minority interests.

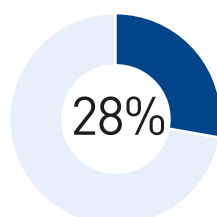
**CUSTOMIZED FLOOR COATINGS**

The Finnish company SPT-Painting, which operates within the fast-growing market for liquid sealing membranes and coverings for floors, also known as “coatings”, and supplies floor installation services to customers in the construction, shipbuilding and industrial segments. The customer base consists primarily of medium and large construction companies, industrial companies and shipyards and their sub-contractors.

KEY FIGURES INSTALLATION SERVICES, SEK m	2018	2017
Net sales <sup>1)</sup>	752	714
EBITDA before items affecting comparability <sup>2)</sup>	47	36
Operating profit (EBIT) before items affecting comparability <sup>2)</sup>	41	31
Number of employees (FTE)	404	407

1) Sales do not include the Danish franchise companies.  
 2) Including share of profit in associated companies (Danish franchise companies).

INSTALLATION SERVICES' SHARE OF CONSOLIDATED NET SALES, 2018\*



\* Excluding intra-Group sales .

SALES GROWTH IN 2018



The swimming and activity centre Vattnets Hus in Ångelholm, Sweden, has been topped off with a bitumen roof and waterproofing products from Matak, and covered with sedum.



An aerial photograph of a residential area with a river and forest. The image shows a mix of modern and traditional buildings, a dense forest of green trees, and a calm river reflecting the sky. The sky is blue with some white clouds. The overall scene is peaceful and scenic.

# RESULTS AND PROSPECTS

In 2018, Nordic Waterproofing's sales rose by 23 percent, affected positively by the recovery in the roofing and infrastructure markets in Sweden and Norway, but also by the market for prefabricated elements in Norway. While the Products & Solutions operating segment reported a sales increase of 29 percent, sales in the Installation Services operating segment increased by 5 percent.

## PROSPECTS FOR THE 2019 FINANCIAL YEAR

For the 2019 financial year, the general market trend is expected to be in line with 2018 in most markets. Nordic Waterproofing expects to achieve its financial targets and that organic growth will exceed general growth in the markets in which the Group operates. In addition to organic growth, the Group also anticipates continued growth through selective acquisitions.

## THE BALANCE SHEET IS CONTINUOUSLY STRONG, ALLOWING FURTHER EXPANSION OF THE GROUP"



### NET SALES GROWTH – BEST YEAR EVER!

2018 was the best year ever in the history of Nordic Waterproofing, and consolidated net sales for the full year 2018 increased by 23 percent amounting to SEK 2,680 m. Both operating segments contributed to the growth: our Products & Solutions operating segment reported a sales increase of 29 percent, and our Installation Services operating segment increased 5 percent. Sales were positively affected by the mild and warm autumn as well as the late winter arrival allowing a strong end of the year in all the Nordic countries. Our growth strategy entails both organic and acquisitive growth, and our three acquisitions in 2018, Ugilt, RVT and Veg Tech, have all contributed positively to our Group.

### IFRS ACCOUNTING AND EFFECTS ON EBITDA AND EBIT FOLLOWING ACQUISITIONS

In 2018, Nordic Waterproofing has continued to grow substantially through acquisitions. The acquisitions have contributed by adding 15 percent net sales to the Group in 2018. At the same time, EBIT, as a consequence of applying IFRS accounting rules, is affected by increased amortizations of intangible assets. The purchase price allocation process has led to the identification of certain intangible assets, such as the value of customer relations as well as the existing order book at the time of the acquisition. The value of customer relations was identified and estimated in most acquisitions, which

are amortized over 5–7 years. The acquired order books in Taasinge Elementer and RVT are amortized over its delivery time, estimated to 6–12 months at the time of the acquisition. Therefore, EBITDA better reflects the underlying operations considering the many acquisitions made during after the IPO. In 2018, EBITDA before items affecting comparability increased by 16 percent and amounted to SEK 286 m (248), while EBIT before items affecting comparability amounted to SEK 224 m (208).

### STRONG BALANCE SHEET ALLOWING EXPANSION

Total assets increased by 21 percent amounting to SEK 2,127 m (1,756) at the end of 2018, while net debt amounted to SEK 442 m (204) or 1.5x (0.8) EBITDA. The balance sheet is continuously strong, allowing further expansion of the Group, even though a dividend of 64 percent of net profit is a proposed by the Board of Directors.

In December, a share buy-back program of maximum 200,000 shares (0.8 percent of the total number of issued shares) to secure the long-term incentive programs was initiated. As per year-end, Nordic Waterproofing owned 11,610 treasury shares. The share buy-backs form part of the SEK 18 million share buy-back program that Nordic Waterproofing announced on 20 December 2018, in order to secure the Company's incentive programs.

### PROFITABILITY TEMPORARILY BELOW LONG-TERM TARGET

Nordic Waterproofing's long-term target is to generate a return on capital employed (ROCE) before items affecting comparability exceeding 15 percent. For 2018 the return was 14.8 percent, just below the long-term target due to the increased capital employed following the acquired goodwill and customer relations from the relatively large acquisition of Veg Tech in July 2018.

### WILL BREXIT AFFECT NORDIC WATERPROOFING?

Nordic Waterproofing operates in the UK through its business unit SealEco and is closely monitoring developments with regard to Brexit. Although the operations in the UK are, to some extent, dependent on imports of goods from the Swedish production unit, and considering that Nordic Waterproofing's UK sales account for less than 2 percent of consolidated sales, Nordic Waterproofing does not believe that the UK's exit from the EU, in one form or another, will have a significant impact on consolidated earnings.



# FINANCIAL REVIEW

## NET SALES

Consolidated net sales in 2018 increased by 23 percent to SEK 2,680 m (2,187), with both our operating segments contributing. Organic growth amounted to 3 percent, and sales in acquired companies contributed by 15 percent following the acquisitions made during the year. The currency translation effect was positive and affected net sales by 5 percent. The Products & Solutions operating segment reported a sales increase of 29 percent, and the Installation Services operating segment achieved an increase of 5 percent. The Flat Roofing market developed well with demand overall at healthy levels but with local variations, while the Builders Merchants were stable. The year showed a strong development in most geographies but especially in Norway, Sweden and Denmark. Denmark continued to see a favorable demand trend, with a strong market all over the country. Our Swedish and Norwegian operations showed strong growth, especially during the second half of the year, and Nordic Waterproofing has successfully increased its market shares in these markets. The decreased private housing building starts and new permits being clear signs of a weaker market in Sweden were still not visible in our sales. The market for prefabricated façade elements in Norway was strong and developed positively during the year, and ended the year with an order book covering almost the entire year of 2019. In our Finnish installation services business, our deliberate and selective approach towards profitable projects and execution

there-of showed positive financials effects as from summer 2018.

In general, the weather conditions were favorable during the year, albeit the warm and unusually dry summer was challenging for Veg Tech requiring unusual watering efforts to secure the growing of sedum and other plants. The mild autumn and late winter arrival allowed Veg Tech to deliver green vegetation solutions almost the entire fourth quarter, following the challenges after the warm and unusually dry summer.

## OPERATING PROFIT (EBIT)

Operating profit (EBIT) for the period January–December increased to SEK 212 m (194) and the EBIT margin decreased to 7.9 percent (8.9). Items affecting comparability amounted to SEK –12 m (–14), primarily consisting of consultancy costs related to acquisitions. Hence, the operating profit (EBIT) before items affecting comparability for the period January–December increased to SEK 224 m (208), which was in line with expectations as stated in the quarterly report for the period January–September 2018. The EBIT margin before items affecting comparability decreased to 8.4 percent (9.5). The raw material purchase prices were stable in general, although bitumen prices have been volatile during the year. The increasing bitumen prices affected the income statement negatively during the year, but were almost fully offset by increased sales prices. In addition, the result was negatively affected by the amortization of customer relations in the

acquired companies as well as the acquired order books in Taasinge Elementer and RVT being amortized over 6–12 months, resulting in a limited contribution from Taasinge Elementer and RVT to EBIT over the first year following the acquisition. All acquired businesses are developing according to plan or better than was expected at the time of acquisition.

Hence, the financial performance for the year was based on the combination of organic growth in both operating segments in most of our markets, an unfavorable development of our raw material prices which however was almost fully offset by increased sales prices, contribution from acquired business, as well as favorable weather conditions during the autumn in all the Nordic countries.

## NET FINANCIAL ITEMS

Net financial items were SEK 3 m higher than in the preceding year and amounted to SEK –22 m (–19). The change is primarily explained by a negative SEK 7 m fair value adjustment of call/put options for the remaining shares in the acquired companies, due to a stronger performance than originally anticipated at the time of acquisition. In addition, external interest costs have increased due to the higher leverage following the acquisitions of Ugilt, RVT and Veg Tech during the year.

At the green roof of Central Park in Lund, Sweden, has biotopes with vegetation that attracts butterflies and small birds. The green roof also keeps the building cooler in the summer, while cleaning the air, dampening noise and absorbing rainwater.





During 2018 Nordic Waterproofing acquired Veg Tech a company with focus on green roofs and different systems for creating green environments. Customers are primarily construction companies, other companies and municipalities seeking green, comprehensive solutions that are easy to install and offer a clear sustainability profile. Other important stakeholders are architects, technical consultants and specialists that are brought in as advisers.

#### TAXES

Income tax for 2018 were SEK 2 m higher than in the preceding year and amounted to SEK -39 m (-37). The Group's effective tax rate for the year amounted to 20 percent (21).

#### NET PROFIT FOR THE YEAR

Net profit for the year increased to SEK 152 m (138). The increase in profit in comparison with the preceding year is primarily attributable to the organic growth in both operating segments and contribution from acquired business.

#### BALANCE SHEET

The balance sheet total increased SEK 371 m and amounted to SEK 2,127 m (1,756).

Equity increased by SEK 96 m and came to SEK 1,106 m (1,010) at year-end 2018.

In May, a cash dividend of SEK 90 m was paid. The solvency ratio was 52 percent (58) at the end of the year.

Nordic Waterproofing's principal external financing agreement is valid until June 2021 and contains, as per the end of 2018, a EUR 37.5 m term loan facility and a EUR 42 m revolving loan facility, of which EUR 14.4 m is allocated to the Group cash pool. The revolving loan facility was increased by EUR 20 m in connection with the acquisition of Veg Tech in beginning of July. The loan and credit facilities bear variable interest and run without requiring repayment in instalments. The financing agreement contains financial covenants which are monitored and followed up on a quarterly basis. Every quarter, Nordic Waterproofing has fulfilled the terms and conditions of the facility agreements. Consolidated net debt

has increased following the acquisitions made and dividend payment and amounted to SEK 442 m at the end of the period, compared with SEK 204 m at the end of the preceding year. Consolidated cash and cash equivalents decreased by SEK 51 m and amounted to SEK 106 m (157) at the end of the period. Out of the Group's total overdraft facility of SEK 148 m (142), SEK 57 m (0) was utilized at the end of the year. Hence, the total liquidity available was SEK 197 m (299). Indebtedness calculated as interest-bearing net debt/EBITDA before items affecting comparability was 1.5x (0.8) at the end of the period, and the net debt/equity ratio was 0.4x (0.2).

#### CASH FLOW

Operating cash flow for the full year 2018 compared with the preceding year increased, amounting to SEK 192 m (164), entailing an operating cash conversion of 67 percent (66). The higher cash flow is primarily explained by higher EBITDA compared to the preceding year, partly offset by higher investments in fixed assets due to a higher capex need in acquired companies and upgraded ERP systems in Taasinge, Denmark and Sweden. The cash conversion was unchanged and temporarily affected by higher inventory levels at the end of the year in order to fulfil delivery obligations, but also

#### RECONCILIATION – ITEMS AFFECTING COMPARABILITY

SEK m	2018	2017
Operating profit (EBIT)	212	194
Costs related to acquisitions	9	10
Other	3	4
Operating profit (EBIT) before items affecting comparability	224	208
Operating profit (EBIT) margin before items affecting comparability	8.4%	9.5%

by higher purchase of raw materials to secure a competitive price level, in the beginning of 2019.

The cash flow from operating activities was higher than in the previous year, amounting to SEK 185 m (126).

The negative cash flow from investing activities was higher than in the corresponding period in the previous year, amounting to SEK 311 m (159). During 2018 two companies were acquired and one asset deal was finalized. The negative net cash impact due to these acquisitions of business was SEK 228 m (123), while gross investments in tangible and intangible assets amounted to SEK 56 m (23).

The cash flow from financing activities amounted to SEK 73 m (-140). In May, a cash dividend of SEK 90 m was paid. In addition, external loans were increased in connection with the acquisition of Veg Tech in July.

**SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD**

On February 26, 2018, Nordic Waterproofing Holding A/S's Swedish subsidiary, Nordic Waterproofing Group AB, acquired 100 percent of the shares in Distri Pond Group in Belgium, with the two operating companies Distri Pond NV and Pond Technics & Training BVBA. The company is a leading distributor of pond systems in the Belgium market, with annual sales of approximately SEK 110 million and 23 employees. The acquisition fits well into SealEco's strategy of vertical integration and will increase Nordic Waterproofing's exposure to an attractive market segment within our core business. With the acquisition of Distri Pond, Nordic Waterproofing's business unit SealEco strengthens its market presence and distribution of high-quality pond systems supported by installation service as well as education. The enterprise value amounted to EUR 11,3 m on a cash and debt-free basis and was financed through an extension of Nordic Waterproofing's existing credit facilities. The acquisition was finalized as of February 26, 2019 and will be consolidated into the Products & Solutions segment.

**EXPECTATIONS FOR THE FINANCIAL YEAR 2019**

For the financial year 2019, general demand is expected to be similar to that in 2018 in most markets. Nordic Waterproofing expects to meet its financial targets, and the Group's organic net sales growth is expected to exceed the general growth rate in the markets in which the Group operates. In addition to organic growth, the Group also expects to continue growing through selective acquisitions. EBIT before items affecting comparability is expected to increase compared with 2018, assuming normal winter conditions during the fourth quarter.

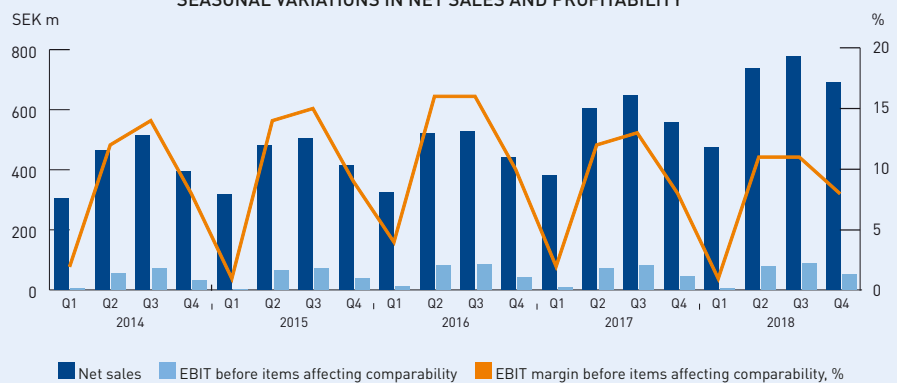
**SEASONALITY**

Nordic Waterproofing's business is affected by seasonal variations – the months of January, February and December being the weakest months. In 2018, sales in these three months accounted for almost 16 percent of the annual total, while the other nine months accounted for 84 percent which is in line with the five-year average. The decline during the winter is explained by the cold and poor weather conditions and their impact on the construction industry. In general, there is a certain degree of stockpiling during the winter months, which transfers to a stock depletion during the summer months as a result of increased activity in the market. An early winter could, among other things cause many of the Company's customers choose to postpone planned projects, in turn, having a negative impact on annual earnings. The same applies if the winter is long and the season starts late in the

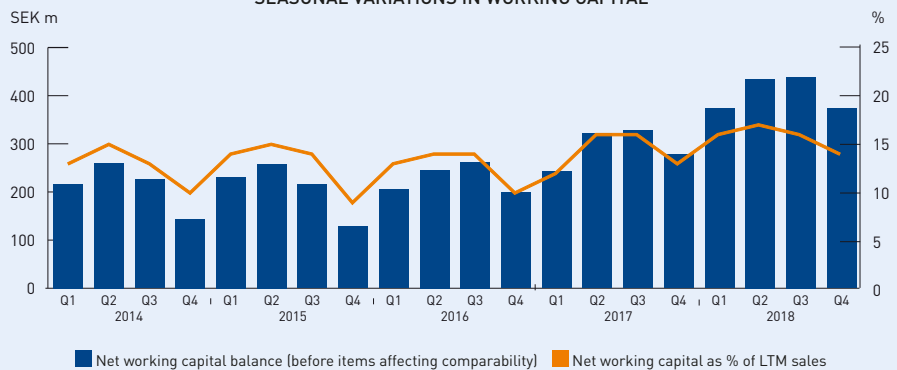
spring. As a result of active efforts in the management of working capital, the average working capital requirement decreased between 2013 and 2016 but increased in 2017 and 2018 which is primarily a consequence of increased net working capital following the acquisitions made during the years. At the end of 2018, the net working capital was higher than historical end-year levels due to temporarily higher inventory levels in order to fulfil delivery obligations, but also by higher purchase of raw materials to secure a competitive price level, in the beginning of 2019. The graph below illustrates the seasonal pattern in the Company's working capital by quarter during 2014–2018.

Seasonal variations affect EBIT and the EBIT margin to the same extent as sales. The graph below illustrates the seasonal pattern in the Company's sales and earnings per quarter 2014–2018.

**SEASONAL VARIATIONS IN NET SALES AND PROFITABILITY**



**SEASONAL VARIATIONS IN WORKING CAPITAL**



Sedum is a mixture of herbs, succulents, grass and moss that can withstand drought well and cope with a thin layer of soil. Green sedum roofs are suitable for roofs with a slope of less than 27 degrees. On the roof of the Sillen & Makrillen pub in Helsingborg, Nordic Waterproofing has installed 300 square metres of sedum roofing on water-retaining felt underlay.





# ENVIRONMENTAL, SOCIAL AND GOVERNANCE

For Nordic Waterproofing, the link between successful business and responsible enterprise is self-evident. In addition to the Group's products simply and efficiently helping to protect buildings and infrastructure, its sustainability efforts generate new business opportunities, reduce costs and risks and enable the Group to meet the demands and expectations of various stakeholders. Nordic Waterproofing intends to integrate sustainability into all aspects of its operations. This includes products, services and solutions, the Group's manufacturing facilities, the supply chain and skills development.

Nordic Waterproofing supports and contributes to many of the UN's sustainable development goals. The Group has chosen to prioritize six of these in particular, in areas in which its operations have a major impact (see pages 38–39).

# SUSTAINABLE ENTERPRISE

Nordic Waterproofing works to generate added value for its stakeholders. This involves understanding the company's role in society and acting responsibly in those areas where the Group can make a difference – directly or indirectly.

Essentially, this means being a responsible and respected member of society, generating long-term value for both the Group's shareholders and the broader community by means of sustainable products and solutions. In recent years, Nordic Waterproofing has achieved significant advances in these regards. At the same time, we maintain the fundamental commitments documented in our Code of Conduct, which is based on the UN Global Compact, an initiative for responsible business practices focusing on the environment, working conditions, human rights and anti-corruption.

## SUSTAINABLE PRODUCTS AND SOLUTIONS

Projects are continuously in progress within the Nordic Waterproofing Group to further develop the products and identify where production can be improved from an environmental perspective. The development process is performed at both the Group and business unit levels. Efforts are focused on developing new products and improving existing products and solutions.

Like most innovative companies, Nordic Waterproofing is conducting several projects in which we are working with renewable raw materials and recycled materials. We are also looking at material efficiency and how we can derive benefit from our production waste.

The Group continue its selective acquisition approach, focusing on sustainable development. The recent additions of Taasinge Elementer, RVT and VegTech are excellent examples of our commitment to a circular and sustainable construction industry. Wood as a construction material is a natural resource, carrying the lowest carbon footprint of any comparable building material. In addition, no high-energy fossil fuels are required to produce wood or the plants supplied from Veg Tech.

## DECENTRALIZED GOVERNANCE

In the Group's decentralized organization, with varying conditions regarding both products and production, additional sustainability targets are set and imple-

mented by the local company management teams.

A broader initiative to adapt sustainability efforts at the Group level has been in progress since 2017, enabling experience to be shared between the facilities. Based on the Group's review of sustainability efforts in the subsidiaries, indicators have been developed that have been monitored annually since 2017, including follow-up of the Group's Code of Conduct and business ethics policy, accident reporting, gender distribution, waste recycling, landfill, energy consumption and carbon dioxide emissions from energy consumption.

## STAKEHOLDER DIALOGUE

In the autumn of 2018, a dialogue was initiated with stakeholders aimed at ensuring that Group-level sustainability reporting responds to our investors' needs for non-financial information. The dialogue is also intended to contribute to our efforts to work for the principles of the UN Global Compact and to our priorities based on the

### KEY COMPLIANCE POLICIES

All new employees sign a "Letter of Confirmation" stating that they have participated in training in the Group's Code of Conduct. Each year thereafter, they sign that they are familiar with, and agree to uphold the "Code of Conduct". The Code of Conduct includes information on anti-corruption efforts, competition, contract management and transactions with closely related parties. In addition, the Code of Conduct contains information about the Group's whistleblower function and how any irregularities should be handled.

## UN GLOBAL COMPACT

<b>PRINCIPLES</b>
<b>HUMAN RIGHTS</b>
1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.
<b>LABOUR</b>
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the elimination of child labour; and
6. the elimination of discrimination in respect of employment and occupation.
<b>ENVIRONMENT</b>
7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.
<b>ANTI-CORRUPTION</b>
10. Businesses should work against corruption in all its forms, including extortion and bribery.

Since 2012, Nordic Waterproofing has been a signatory to the UN's Global Compact and is committed to honouring the Global Compact's 10 principles.



UN's global targets for sustainable development.

During the autumn of 2018, four of the largest shareholders and three of the largest customers were interviewed and the process of interviewing customers and other stakeholders will continue in 2019. All of those questioned welcome the efforts that Nordic Waterproofing initiated in the area of sustainability in the autumn of 2016. The issues of which these stakeholders are most aware are Climate and Occupational health and safety, both with regard to reporting on these issues, but also with regard to the company's risk management. The shareholders would also like to see clearer indicators used in the reporting, particularly in the area of Occupational health and safety, as well as clearer targets regarding the various areas.

#### IMPLEMENTATION OF ADJUSTED CODE OF CONDUCT

Nordic Waterproofing aims to maintain a working environment characterized by responsibility and empowerment, ethics and morality, openness and teamwork. Combined with a focus on customers and their needs, these values, enable the Group to meet its targets and strategic priorities. An important part of a safe working environment is to ensure that no one is exposed to

discrimination or sexual harassment. Nordic Waterproofing's workplaces should be characterized by respect for diversity and different qualities, knowledge and skills, regardless of gender, religion, ethnic background, age, race or sexual orientation.

Nordic Waterproofing's Code of Conduct, which includes the areas of environment, work environment and business ethics, is the basis for all activities within the Group and applies to all employees and the Group's Board of Directors without exception. An updated version of the company's Code of Conduct and training materials was rolled out throughout the Group during the second quarter of 2018. More than 94 percent of employees have undergone this training during the year – further contributing to awareness of applicable legislation and internal policies and regulations. The Code of Conduct and the training materials are available in all nine languages used within the Group.

The Code of Conduct is based on internationally recognized conventions and guidelines, such as the UN Global Compact, to which Nordic Waterproofing has been a signatory since 2012.

A specific Code of Conduct for suppliers will be launched in 2019.

## THE GROUP'S AREAS OF FOCUS IN SUSTAINABILITY:

#### BUSINESS ETHICS

- Target: 100% of Group employees shall sign off the Group's Code of Conduct
- Outcome 2018: 94%. Training in the Code of Conduct provided continuously and in connection with recruitment

#### SAFE WORKPLACE


- Target: Vision of zero serious work-related accidents
- Outcome 2018: 44 LWC-accidents

#### EQUALITY


- Target: Increase the proportion of women among senior executives
- Outcome 2018: +1% in local management teams

# NORDIC WATERPROOFINGS CONTRIBUTION TO THE UN'S GOALS FOR SUSTAINABLE DEVELOPMENT

To the extent it is possible, Nordic Waterproofing and our products and solutions shall, beyond being functional and driving business, also help improve sustainability. Several of our products currently have an impact on climate change and contain fossil raw materials. This is something we always bear in mind. Among other things, the products and solutions acquired in 2017 and 2018 contribute in more than one way to sustainable development and are based on non-fossil resources.

**8 DECENT WORK AND ECONOMIC GROWTH**  
  
**DECENT WORK AND ECONOMIC GROWTH: Decent Work and Economic Growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.**

Providing a workplace that is safe and promotes employee health is essential for Nordic Waterproofing, both in its own production and among suppliers and contractors working on the company's behalf. Contributing to employment by creating jobs, but also through apprenticeships and internships, is another way in which we contribute to the development of society. This goal includes work to ensure continued growth, albeit with reduced environmental impact.

**13 CLIMATE ACTION**  
  
**CLIMATE ACTION: Take urgent action to combat climate change and its impacts.**

Following our multiple acquisitions of prefabricated elements business we used about 16,000 m<sup>3</sup> of wood in 2018, which binds approximately 16,000 tons of CO<sub>2</sub> compared with traditional construction methods. Veg Tech's green roofscan absorb and delay moisture heavy downpours.







**GENDER EQUALITY:** Achieve gender equality and empower all women and girls.

For the Group, achieving working environments that are non-discriminatory and in which women are afforded equal opportunities to gain influence and reach leading positions is an important process. Getting more women into different professional categories that have been male-dominated for a long time is a challenge, but also a great opportunity for recruiting future employees.



**SUSTAINABLE CITIES AND COMMUNITIES:** Make cities and human settlements inclusive, safe, resilient and sustainable.

Nordic Waterproofing works to offer products and solutions that protect buildings and other infrastructure. We work to make them cost-efficient and environmentally-friendly from a lifecycle perspective. With the right materials, buildings and other infrastructure can become more resistant to climate-related risks, for example. Once materials have served their purpose, it is also important that waste is suitably handled and disposed of. In addition, Veg Tech provides solutions for making cities inclusive and sustainable for all people.



**RESPONSIBLE CONSUMPTION AND PRODUCTION:** Ensure sustainable consumption and production patterns.

Increasingly, society's manufacturing industries need to use resources efficiently, recycling and recovering materials efficiently. By using bitumen, a residue from the oil industry which has few other usages, we make a productive use of it which eliminates the need to burn it.



**PEACE, JUSTICE AND STRONG INSTITUTIONS:** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

For Nordic Waterproofing, combating all forms of corruption and other wrongdoings is an important issue. During 2018, 94 percent of employees were trained in our updated Code of Conduct and signed a letter confirming that they understood the meaning of the Code. This involves applying clear internal guidelines, but also working to reduce the risk of corruption along the supply chain.



# MANUFACTURING AND ENVIRONMENT

Nordic Waterproofing works to generate added value for its stakeholders without compromising the standards set in terms of manufacturing and the environment. With the recent integration of the prefabricated elements business, Nordic Waterproofing is now a net contributor to reducing climate change.

## ENVIRONMENTAL COMPLIANCE

The bitumen and rubber membrane production facilities in Denmark, Finland and Sweden are subject to mandatory reporting obligations and require permits. The operations affect the external environment primarily through noise and direct and indirect emissions. The Group's production requires resources such as raw material, water, energy and chemicals.

All subsidiaries are covered by our Group Environmental policy, which covers energy consumption, emissions and raw material use. Where relevant, they have formulated a local policy to complement this. All manufacturing units apply an environmental management system. The operations in Finland and Sweden are certified in accordance with ISO 14001. Each production facility has established environmental targets.

A mapping of energy consumption and climate emissions at an aggregated Group level commenced in early 2017. Energy consumption and climate emissions are key figures, that have been reported at the Group level since 2017.

### SAFE AND EFFICIENT USE OF RESOURCES

A significant part of the Group's energy consumption, as well as its impact on the climate, is associated with fossil fuel combustion, as well as purchased electricity and district heating (indirect energy and direct energy). Production units and offices in all business units submit reports, with the exception of Installation Services, which consists primarily of roofing services. Energy consumed by company vehicles and forklifts, or by suppliers, is not included in these figures.

In 2017, one of the units in Denmark reported an inaccurate figure, which has been adjusted in the graph below. This means that the district heating column for 2017 has decreased by 243 MWh.

Following the adjustment for 2017, energy consumption in 2018 increased by 5.7 percent compared with the preceding year. Net sales for the same period increased by 23 percent, which is one of the reasons for the increased energy consumption.

### POSITIVE CLIMATE IMPACT

The calculation of the Group's carbon dioxide emissions (CO<sub>2</sub>) is based on each unit's total average energy mix.

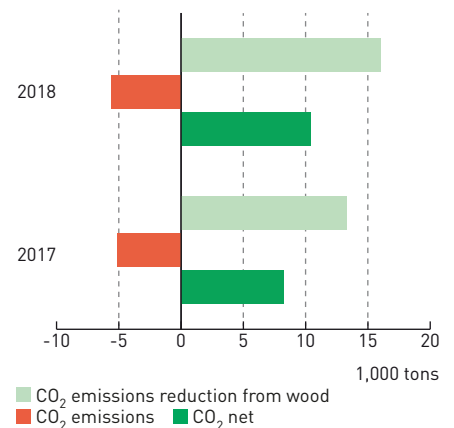
The Group's combined carbon dioxide emissions amounted to 5,644 tonnes (5,159\*), an increase of 9 percent, significantly below the 23 percent sales increase.

Through the use of wood in the prefabricated elements business, in substitution for traditional inorganic building materials, Nordic Waterproofing achieves a significant net reduction of CO<sub>2</sub> emissions. While the production of traditional materials releases large quantities of CO<sub>2</sub>, wood binds CO<sub>2</sub> at a rate of approximately 1 ton of CO<sub>2</sub> per m<sup>3</sup> of wood.

As shown in the graph to the right, Nordic Waterproofing with a consumption of 16,000 m<sup>3</sup> of wood in 2018, generated a net favorable CO<sub>2</sub> balance of 10,000 tons.

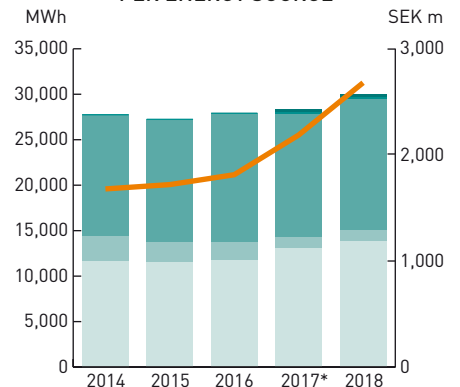
Direct emissions from operations (scope 1) were 3,383 tonnes and indirect emissions from purchased energy, that is, electricity and district heating (scope 2) were 2,261 tonnes.

### FAVOURABLE CARBON DIOXIDE EMISSIONS BALANCE



2017 includes RVT for comparison purposes. Calculated by lock-in effect of 1,000 kg/m<sup>3</sup>.

### ENERGY CONSUMPTION PER ENERGY SOURCE



Electricity District heating Natural gas Light heating oil Wood Pellets Net sales, SEK m

\* Corrected from previous year's reporting.



## GREEN ECONOMY

For some time, Veg Tech has studied possibilities of using biochar to improve the well-being of the plants and to make use of materials that help reduce the carbon dioxide in the air. Biochar can reduce the use of fertilisers and increase the soil's capacity to retain oxygen and water for extended periods.

During 2018, a decision was taken to invest in a proprietary factory that is planned to become operational in the winter of 2019/2020. The total investment is estimated at approximately SEK 7 m, including ancillary buildings for materials and handling. To date, the company has invested slightly less than SEK 3 m, of which two thirds has been offset by climate subsidies from the Swedish Environmental Protection Agency, entailing a net investment of slightly less than SEK 1 m.

"Circular economy is the foundation of our business and we are working continuously to maintain our leading position within an important niche in the construction market. Being part of Nordic Waterproofing means that we can increase the pace of the company's development as a market leader in vegetation technology and sustainable construction," says Bengt-Erik Karlberg, the company's CEO. "Veg Tech is a partner that focuses on quality. While cultivating plants in, and adapted to, the vegetation zones in which end customers are located, we also impose strict demands in other areas, such as the choice of fuel for heating and electricity and our role as employer in smaller communities. This may involve solar cells on office roofs, investments in local non-profit organizations or soil improvement products."

# SOCIAL ENTERPRISE

Nordic Waterproofing has built up a successful working climate with a proven process for employee dialogue, in which employees and company management have a mutual exchange of expectations and suggestions on how to improve working conditions.

In 2018, the Group had an average of 1,033 (830) full-time employees. During the summer season, the workforce in Installation Services increases through the addition of more than 100 temporary employees. The personnel matters are decentralized and differ regionally, although they show certain mutual trends. Nordic Waterproofing is often one of the larger employers in a particular location and employing personnel locally helps maintain low personnel turnover, contributing to stability within the organization.

## SKILLS DEVELOPMENT AND MOTIVATION

Ongoing skills development focusing, for example, on productivity and broader production skills, increases the organization's flexibility. The Group's philosophy is that skills development is primarily achieved through continuous learning in day-to-day work. This is complemented by training initiatives for a large number of employees, as well as for external roofers/contractors seeking further training in the industry.

To monitor employee satisfaction and commitment, performance reviews are conducted alongside regular employee surveys.

## HELPING YOUNG PEOPLE ENTER THE JOB MARKET

Nordic Waterproofing has broadened its recruitment activities, complementing traditional recruitment days by offering apprenticeships and seeking new fora in which the companies believe appropriate skills can be found.

Roofing contractors have been experiencing personnel shortages and difficulties recruiting new skilled labourers. In order to increase access to potential staff, Nordic Waterproofing supports educational programmes in roof installation and offers trainee positions for future professionals, increasing its attractiveness in the market.

## OCCUPATIONAL HEALTH AND SAFETY

Nordic Waterproofing's operations include factories, warehouses and offices. The Finnish operations also include roofing services. Employee safety is always the highest priority and all subsidiaries have a work environment policy. The production-plant in Finland is certified in accordance with the OHSAS 18001 work environment management system.

Each workplace and environment have their own specific risks and, accordingly, each subsidiary is responsible for systematically managing health and safety efforts. This includes gathering information about and assessing site-specific risks and reporting accidents to the Group. The process of reducing the occurrence of incidents and accidents is achieved by analyzing the underlying causes.

Each individual site shall report to the Group level, all occupational injuries and illnesses resulting in at least eight hours of absence caused by accidents, defined as Lost Work Cases (LWC). During 2018, focused efforts were in progress to reduce accidents within the Group, resulting in almost 40 percent fewer accidents over the year. In 2018, 44 LWC accidents (61) were reported.

Although there were ten less LWC accidents in Finland compared with 2017, installation operations are still the Group's riskiest area of work, accounting for 32 of the accidents. Accidents at Taasinge Elementer decreased from nine in 2017 to zero reported in 2018.

Efforts to prevent accidents are continuing in 2019. An important part of this will involve integrating newly acquired companies into our systematic efforts, but also, as the pace of production and installation rises, raising awareness and knowledge among the many new employees who have joined our operations.

All of the companies within the Group

that have production sites have contracted external Occupational Health Care services to support their employees, such as in the case of rehabilitation.

## ROOFING TRAINEE LEARNS THE JOB ON THE JOB



During 2018, Nordic Waterproofing in Denmark successfully developed a proprietary programme to reach young people and introduce them to the opportunity of working in the industry. Over the year, nine trainee roofers were taught in partnership with the Danish Agency for Labour Market and Recruitment and the results are positive.

The apprenticeship programme was established permanently in March 2019 in the presence of Mr. Troels Lund: Poulsen, the Minister of Employment. "I am very pleased with this initiative. It's a completely unique and new way of broad cooperation, where the public sector and private organizations are working together to match the people looking for job with the opportunities in a wide-ranging industry".



**DIVERSITY AND EQUAL TREATMENT**

Historically, the roofing industry has been a male-dominated industry regardless of personnel category. Nordic Waterproofing works to achieve its goal to have a balanced mix of ethnicity, age and gender, taking into account the type of activity being conducted. Improved diversity and inclusion have the potential to further drive Nordic Waterproofing's development and results, both at team level and individually.

In 2018, a process was initiated within the Group to compile salary payment data to study its development, any pay gaps and assess if the Group is offering fair remuneration.

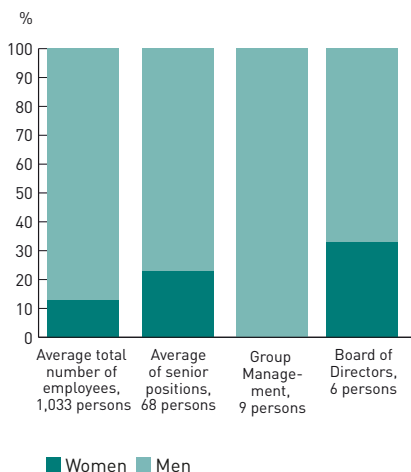
The companies within the Group work continuously to attract, develop and retain talented young people regardless of gender or other characteristics. Independent of gender or other aspects of diversity, each

individual is offered equal opportunities in terms of career paths.

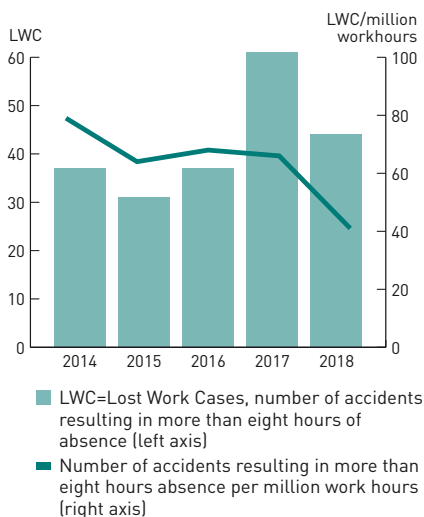
In 2016, it was decided with regard to the diversity target, that the operations as a whole should also work towards a more balanced mix in terms of ethnicity and gender. To reach the goal to increase the awareness of its operations and being a good employer, Group companies leveraging several online platforms and channels to build relationships with new stakeholders.

Today, local management teams comprises a total of 68 individuals (52), of which 23 percent (22) are women. Nordic Waterproofing Holding A/S's Board of Directors consists of four men and two women. Accordingly, the proportion of women on the Board of Directors is 33 percent, meeting the target of the Group's Diversity policy.

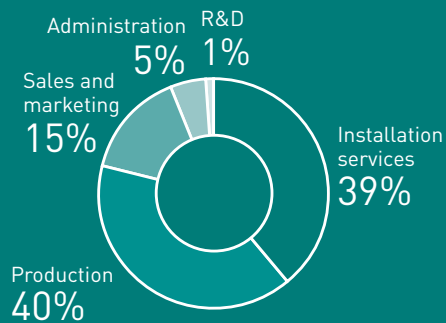
**DISTRIBUTION OF GENDER, NORDIC WATERPROOFING**



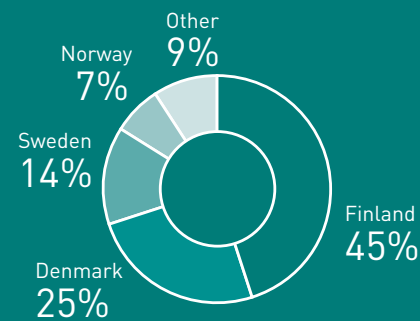
**ACCIDENTS**



**1,033 EMPLOYEES 2018**



**DISTRIBUTION OF EMPLOYEES BY COUNTRY, 2018**



# CORPORATE GOVERNANCE

Nordic Waterproofing Holding A/S is a Danish public limited liability company, with company registration number 33395361, and is governed by the provisions of the Danish Companies Act. The registered office of the company is situated in Vejen, Denmark, with operational headquarters in Helsingborg, Sweden. The company's shares are listed on Nasdaq Stockholm, Mid Cap. This report on Nordic Waterproofing's corporate governance for 2018 is issued in accordance with the Danish Annual Accounts Act and the Swedish Code of Corporate Governance.

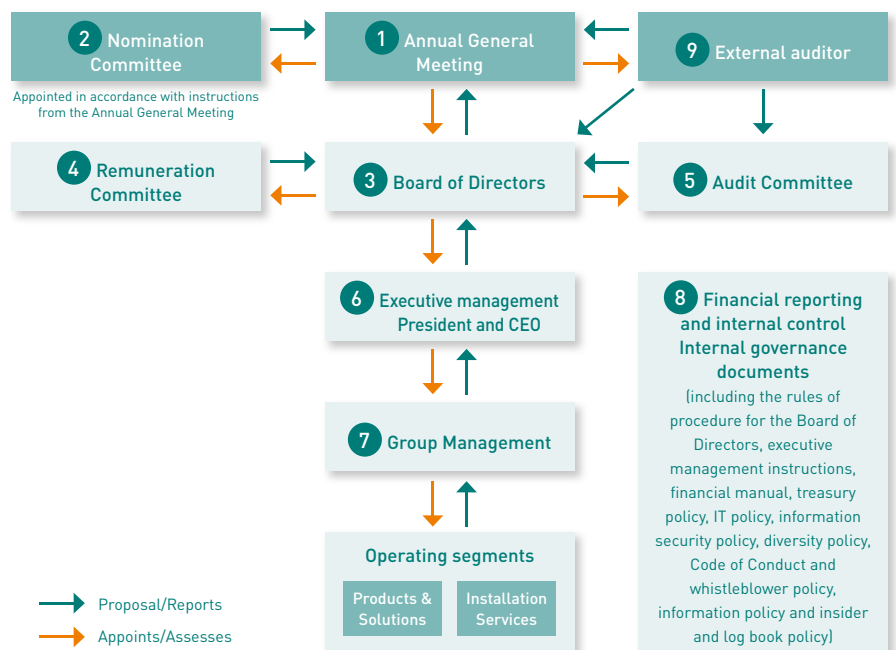
## THE SHARE AND SHAREHOLDERS

Nordic Waterproofing Holding A/S, with the ticker NWG, has been listed on Nasdaq Stockholm, Mid Cap segment since 10 June 2016. The number of shares outstanding on 31 December 2018 was 24,083,935. Each share entitles the holder to one vote. The number of shareholders on the same date was about 3,700, which is approximately 800 more, compared with the number at the end of 2017. The largest shareholder on 31 December 2018 was Mawer Investment Management, holding 2,729,537 shares, representing 11.3 percent of the votes and share capital in the company.

Further details on Nordic Waterproofing's share and the company's shareholders are available in the section "The share and ownership information", on pages 58–61 and on the company's website.

## CORPORATE GOVERNANCE FRAMEWORK

Nordic Waterproofing Holding A/S aims to maintain an appropriate corporate governance framework to ensure active, reliable and profitable business management. The corporate governance is based upon applicable Danish legislation and other external rules and instructions, including the Danish Company Act, Nasdaq Stockholm's Rulebook, the Swedish Securities Council on good practices in the stock market, the Swedish Code of Corporate Governance (the Code), and internal guidelines including Articles of Association, instructions, policies and guidelines.

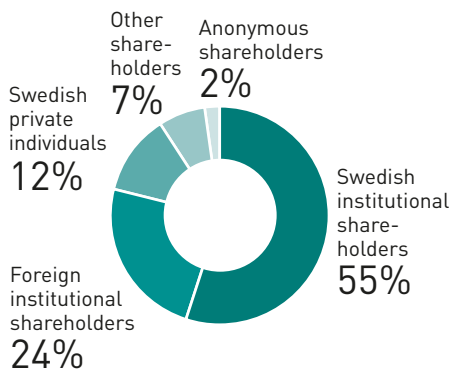


## APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

The application of the Code is in all important aspects consistent with the Danish recommendations on corporate governance. The Code applies to all Swedish companies with shares listed on a regulated market in Sweden and must be applied on the date of the listing of the company's shares on Nasdaq Stockholm. In 2018, Nordic Waterproofing deviated from Article 2.1 of the Code in that Danish law requires

the Board of Directors to nominate auditors. In addition, the Code stipulates that the company's auditor shall review whether a Corporate Governance Report has been prepared and that certain disclosures in the Corporate Governance Report are consistent with the other parts of the Annual Report. Nordic Waterproofing's auditor follows generally accepted auditing practices in Denmark and no specific review of the Corporate Governance Report has therefore been performed.

### OWNERSHIP STRUCTURE AS PER 31 DECEMBER 2018, HOLDINGS, %



Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

## 1 GENERAL MEETINGS AND SHAREHOLDERS' INITIATIVES

Under the Danish Companies Act, the Annual General Meeting (AGM) is the company's highest decision-making body. The Annual General Meeting may resolve upon every issue for Nordic Waterproofing which does not specifically fall within the scope of the exclusive powers of another corporate body. At the Annual General Meeting, shareholders exercise their voting rights. At the Annual General Meeting, the shareholders vote on matters such as approval of the Annual Report, appropriation of Company profits or losses, resolutions to discharge the members of the Board of Directors and the executive management from liability for the financial year, the appointment of members of the Board of Directors, the appointment of an auditor, and remuneration for the Board of Directors and the auditor. At the Annual General Meeting, shareholders also have the opportunity to ask questions regarding the Group's operations.

The Annual General Meeting must be held in such time that the Annual Report, to be adopted by the Board of Directors and thereafter submitted to the General Meeting for approval, can be submitted to the Danish Business Authority within four months after the expiry of the financial year.

Shareholders who wish a matter to be addressed at the Annual General Meeting must submit a written request to the Board of Directors no later than six weeks prior to the date of the Annual General Meeting. In addition to the Annual General Meeting,

Extraordinary General Meetings may be convened to deal with other specific matters.

Extraordinary General Meetings must be held upon request from the Board of Directors or the auditor elected by the General Meeting. In addition, shareholders that individually or collectively hold five percent (or more) of the share capital can make a written request to the Board of Directors that an Extraordinary General Meeting be held to deal with a specific matter. Extraordinary General Meetings to consider specific matters must be convened within two weeks of receipt of a request to such effect. In accordance with the Articles of Association, all General Meetings must be convened by the Board of Directors giving written notice between three and five weeks prior to the meeting. As regards the Annual General Meeting, the date of the intended meeting must be published no later than eight weeks prior to the date of such meeting and state the deadline for shareholder proposals. Notice of General Meetings must, observing the form and substance required under the Danish Companies Act, be published on [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com). Furthermore, written notice of the General Meeting must be e-mailed to all shareholders who so request.

At the same time, it shall also be announced in Swedish daily newspaper Svenska Dagbladet that notice has been given. The notice is expected to specify the time and place of the General Meeting and contain the agenda of the business to be addressed at the General Meeting.

If a proposal to amend the Articles of Association is to be addressed at the General Meeting, a summary of such proposal must be included in the notice. For certain material amendments, the specific wording must be set out in the notice.

General meetings must be held in the City of Stockholm or the Municipality of Helsingborg in Sweden. Decisions made by the Annual General Meeting are published in a press release after the meeting and the minutes of the meeting are published on the company's website.

### Annual General Meeting 2018

The Annual General Meeting 2018 took place on 20 April in Helsingborg, Sweden with 51.4 percent of the votes represented. The Meeting approved the Annual Report for 2017 and a dividend of SEK 3.75 per share in accordance with the Board's proposal, approved fees for the Board of Directors and the auditor, discharged the Board and executive management from liability, and elected members to the Board of Directors

(re-election of Ulf Gundemark as Chairman of the Board, re-election of Jørgen Jensen and Riitta Palomäki, Mats O. Paulsson and Kristina Willgård, and new election of Allan Jørgensen) and elected the auditor (re-election of PricewaterhouseCoopers, authorized firm of auditors) for the period extending up until the next Annual General Meeting.

Among other things, the Meeting also approved a mandate to increase share capital (valid until Annual General Meeting 2019) and to acquire treasury shares corresponding to at most 10 percent of the number of shares outstanding in the company at any given time and authorization to decide on the introduction of a long-term performance-based compensation programme (LTIP 2018).

## 2 NOMINATION COMMITTEE

Nordic Waterproofing Holding A/S's shareholders have resolved to establish a Nomination Committee and to adopt rules of procedure for the Nomination Committee. According to the current rules of procedure for the Nomination Committee, the Nomination Committee shall consist of four members representing the largest shareholders in the company, as per the last banking day in August in the year before the Annual General Meeting, who wish to participate in the Nomination Committee. In addition to these four members, the Chairman of the Board must also be a member of the Nomination Committee. The instructions for the Nomination Committee follow the Code as regards the appointment of members.

The main duties of the Nomination Committee are to nominate candidates for the positions of Chairman of the Board and other members of the Board, and to submit proposals for fees and other remuneration to be paid to each of the members of the Board. Since 3 October 2018, the Nomination Committee ahead of Annual General Meeting 2019 consists of the following five persons:

- Viktor Henriksson, appointed by Carnegie funds and chairman of the Nomination Committee.
- Karen Phadke, appointed by Mawer Investment Management
- Joachim Spetz, appointed by Swedbank Robur
- Ulf Hedlundh, appointed by Svolder AB
- Ulf Gundemark, Chairman of the Board of Nordic Waterproofing Holding A/S.

On the forming of the Nomination Committee, it represented 36.1 percent of the voting rights for all shares in Nordic Waterproofing Holding A/S.

The Nomination Committee observes the rules regarding the independence of members of the Board as well as versatility and breadth. The Nomination Committee has declared that it has applied regulation 4.1 of the Code as its diversity policy. In addition, each member of the Nomination Committee has considered any potential conflict of interest before accepting the assignment, as stated in the Code. On the company's website, [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com), a special section entitled "Nomination Committee" contains additional information about the Nomination Committee and its proposals to the Annual General Meeting.

#### Independence of the nominating committee

According to the Code, the majority of the members of the Nomination Committee are to be independent in relation to the company and company management. In addition, at least one of these must also be independent in relation to the largest shareholder in the company in terms of voting rights. Of the appointed members, all are independent in relation to the company and its management and the majority are independent in relation to the company's largest shareholder in terms of voting power.

#### Meetings of the Nomination Committee

The Nomination Committee ahead of Annual General Meeting 2019 has held five meetings. No fees have been paid for work on the Committee

### 3 BOARD OF DIRECTORS

The Board of Directors is the highest decision-making body after the General Meeting. The responsibilities of the Board of Directors are set out in the Danish Companies Act, the Articles of Association, and the Board's rules of procedure adopted by the Board of Directors. In addition, the Board of Directors must comply with the Code and Nasdaq Stockholm's Rule Book for Issuers, as well as other Swedish, Danish and other foreign laws and regulations, as applicable.

Members of the Board of Directors (other than employee representatives, if any) are appointed annually by the shareholders at the Annual General Meeting for the period until the next Annual General Meeting. The Articles of Association state that the Board of Directors (not including any employee representatives) must consist of a minimum of four members and a maximum of eight members. The Board of Directors currently consists of six ordinary members. The composition of the Board complies with the Code's requirements for independence in relation to both the company, its management and the company's major shareholders. The members of the Board are presented in closer detail on pages 50–51. Under Danish law, members of the Board of Directors may be removed at any time by the

shareholders in a General Meeting, by a simple majority of votes. Pursuant to the Code, no more than one member of the Board of Directors may be a member of the executive management of the company or a subsidiary. Furthermore, such Board member may not be the Chairman or the Deputy Chairman of the Board of Directors.

Similarly, under the Danish Companies Act, the majority of the members of the Board of Directors must be members who are not also members of executive management, and a Board member who is also a member of the executive management cannot be Chairman or Deputy Chairman of the Board of Directors.

Pursuant to the Danish Companies Act, the Board of Directors is responsible for Nordic Waterproofing's overall and strategic management. In addition to performing overall management duties and strategic management duties and ensuring proper organization of the company's business, the Board of Directors must, inter alia, ensure that:

- The bookkeeping and financial reporting procedures are satisfactory, having regard to the circumstances of the company.
- Adequate risk management and internal control procedures have been established.
- The Board of Directors receives requisite regular information about the company's financial position.
- The executive management performs its duties properly and as directed by the Board of Directors and.
- That the financial resources of the company are adequate at all times, and that the company has sufficient liquidity to meet its current and future liabilities as they fall due. The company is therefore required to continuously assess its financial position and ensure that the existing capital resources are adequate.

The Board of Directors has adopted, and regularly evaluates, a number of governing documents including the rules of procedure for the Board of Directors, executive management instructions, financial manual, treasury policy, IT policy, information security policy, diversity policy, code of conduct and whistleblower policy, information policy and insider and log book policy.

Adopted governance documents are implemented in the organization through the business unit managers. In addition, the Board of Directors regularly adopts and evaluates the Nordic Waterproofing's business plan, including goals, strategies, risks and budget, and reviews the company's website and ensures that such website has a special corporate governance section

containing a copy of, among other things, the most recent corporate governance report.

The Board of Directors also ensures that there are efficient systems for follow-up and control of the company's operations and that there is a satisfactory control of the company's compliance with laws and other regulations applicable to the company's operations.

#### Composition of the Board of Directors

The Annual General Meeting on 20 April 2018 resolved that the Board of Directors of Nordic Waterproofing Holding A/S shall have six members, elected by the Meeting, for the period until the end of the next Annual General Meeting. Accordingly, the Board consists of Ulf Gundemark (Chairman), Jørgen Jensen, Allan Jørgensen, Riitta Palomäki, Mats O. Paulsson and Kristina Willgård. All Board members have attended Nasdaq's stock market training course for Board and management. The average age of the Board members elected by the Annual General Meeting was 57 at the end of the year, and two of the six members were women. For information about the Board members' assignments outside the Group and holdings of shares in Nordic Waterproofing, see pages 50–51.

#### Independence of the Board of Directors

In accordance with the Code, the majority of the Board members elected by the Annual General Meeting shall be independent in relation to Nordic Waterproofing and its management and at least two of these shall also be independent in relation to the company's major shareholders. Of the Board's six members, all are independent in relation to the company and its management and in relation to the company's major shareholders.

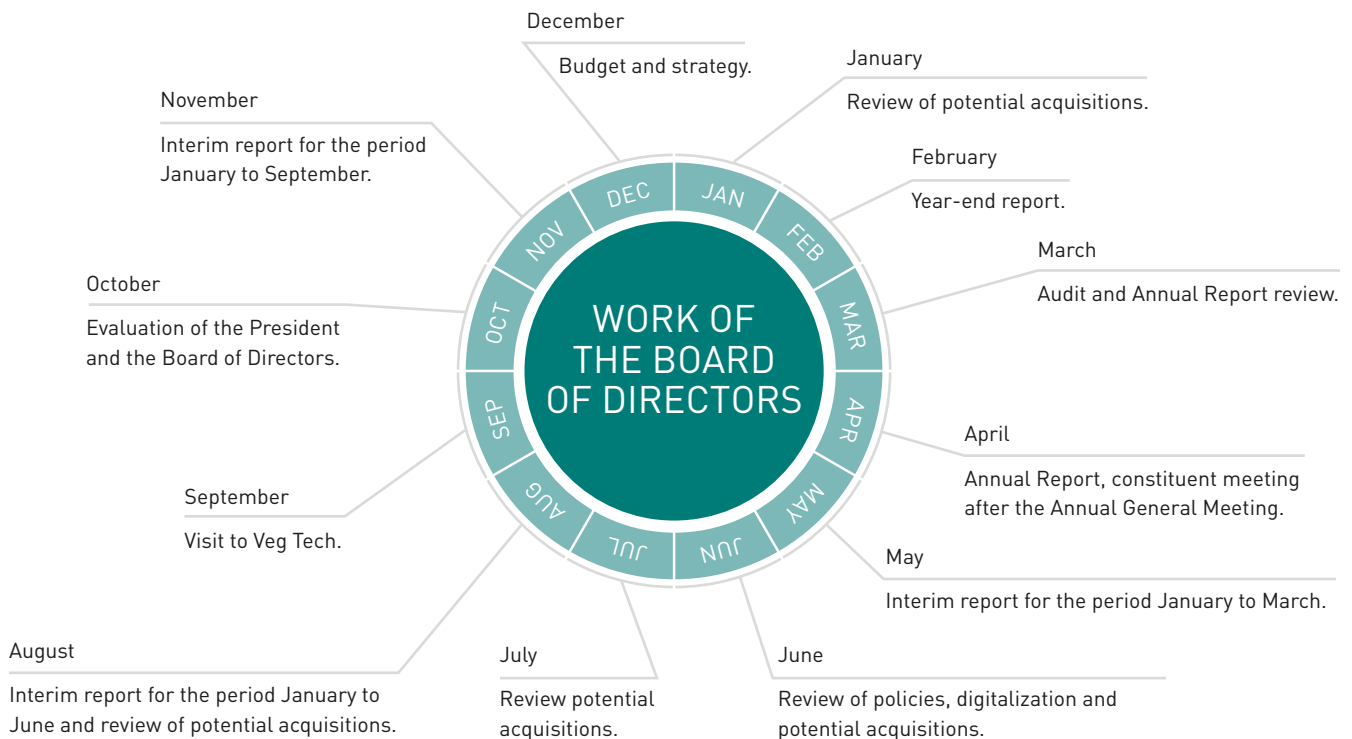
#### Evaluation of Board performance

The Board of Directors regularly evaluates its work through a systematic and structured process with the purpose of developing the Board of Directors' work methods and efficiency. In addition, the Board of Directors evaluates the company's IT strategy and its implementation and monitors compliance with the policies, instructions and guidelines established by the Board of Directors. The Chairman is responsible for carrying out the evaluation and presenting the results to the Nomination Committee. The purpose of the evaluation is to gather the Board members' views on the Board's performance, what measures can be taken to improve the efficiency of Board work, and whether the Board has a well-balanced mix of competencies. The evaluation provides the basis for the work of the Nomination Committee ahead of the Annual General Meeting. In 2018, the Chairman conducted a self-assessment of the Board work performance including the collaboration between the CEO



## BOARD WORK IN 2018

A minimum of six ordinary Board meetings will be held each year. In 2018 the Board held 14 Board meetings (13). The work of the Board of Directors follows an annual cycle, in order for the Board to best fulfil its duties. Discussed at the beginning of the year are the year-end report and the Annual Report and the matters to be submitted to the Annual General Meeting. At the end of the year, the budget for the coming year is addressed. Each quarter, consolidated earnings are reported, and interim reports are approved for publication.



and CFO. This based on the principle of comparing "to be" with "as is" evaluations. The results have been communicated and discussed within the Board and senior management as well as the Nomination Committee.

### Board meetings

In 2018 the Board held 14 scheduled meetings. The CEO and the CFO, who is also the Board secretary, take part in the Board's meetings. Other executives take part as needed as rapporteurs for special items of business.

### BOARD COMMITTEES

#### 4 Remuneration Committee

Effective from 2017, the Board of Directors has established a Remuneration Committee. In 2018, the Remuneration Committee held two meetings at which minutes were kept. Three meetings are planned for 2019. The current Remuneration Committee consists of two members: Ulf Gundemark (chairman) and Kristina Willgård. The Remuneration Committee's main function is to:

- Consider and make decisions as to the framework for the remuneration of the CEO of the company, including but not limited to salary, salary increases, pension rights and any compensation or terminations payments, ensuring that the

contractual terms are fair to the individual and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognized.

- Consider and make decisions on issues concerning principles for remuneration and other terms of employment for the executive management, including evaluating whether the remuneration level of the CEO is in accordance with, and not exceeding, comparable market practice levels at any given time, including any incentive programmes.
- Consider and make decisions on remuneration matters of material importance to the company, including incentive programmes and payments for the CEO of the company. The decisions concerning the remuneration of the CEO, including any incentive programme shall be in accordance with, and not exceed, comparable market practice levels at any given time.
- Consider and make decisions on the targets (bonus levels and performance targets) for company-operated performance related incentive programmes for executive managers of the Company, as well as monitoring and evaluating the fulfilment of such targets.

- Monitor and evaluate programmes for variable remuneration, both ongoing and those that have ended during the year, for the executive management.
- Monitor and evaluate the application of the guidelines for remuneration that the Annual General Meeting is legally obliged to establish, as well as the current remuneration structures and levels in the company.
- Oversee the implementation of any pension, retirement, fatality, disability or life assurance scheme and any incentive schemes for executive managers of the company.
- Review its own terms of reference and effectiveness on the above, on an annual basis.

#### 5 Audit Committee

The Board of Directors has internally established an Audit Committee, which must comprise three members. The Audit Committee prepares proposals for the Board of Directors which either adopts resolutions on the matters or, if appropriate, decides upon proposals for resolutions to be adopted by the shareholders at General Meetings. In 2018, the Audit Committee held five meetings at which minutes were kept. Five meetings are planned for 2019.

The current Audit Committee consists of three members: Jørgen Jensen (Chairman), Riitta Palomäki and Mats O. Paulsson. Its main duties, without having any impact on the duties and responsibilities of the Board of Directors, are to assist with oversight of:

- The company's financial reporting.
- Systems of internal control and risk management related to finances.
- External audit of the Annual Report.
- Control of the auditor's independence, including oversight of non-audit services.
- Preparing a recommendation to the Board of Directors as regards the auditor to be nominated by the Board of Directors and elected by the Annual General Meeting.

## 6 EXECUTIVE MANAGEMENT

Pursuant to the Danish Companies Act and the Articles of Association, the Board of Directors appoints and removes the members of an executive management, which is responsible for the day-to-day management of Nordic Waterproofing Holding A/S.

The Articles of Association state that an executive management consisting of one to five members must be appointed. Currently, the company has only appointed one member to the executive management: Martin Ellis as CEO (*Danish: Administrerende Direktør*).

The executive management reports to the Board of Directors. The executive management's responsibilities are set out in the Danish Companies Act, the Articles of Association, directions and instructions given by the Board of Directors, and other internal regulations and instructions established by the Board of Directors. In addition, the executive management is required to comply with the Code and Nasdaq Stockholm's Rule Book for Issuers, as well as other Swedish, Danish and other foreign laws and regulations, as applicable.

The executive management must, inter alia, take any measures necessary to ensure the company's bookkeeping is maintained pursuant to law and that the management of funds is conducted in a sound manner. The executive management may in specific cases be authorized by the Board of Directors to carry out management-related measures, which are outside the scope of the company's day-to-day business.

## 7 GROUP MANAGEMENT

The executive management is supported by a number of senior officers of the company. Together with the executive management, these senior officers of the subsidiaries, constitute the Group Management team. Martin Ellis has been the CEO of Nordic Waterproofing since October 2015. In addition to the CEO, Group Management

consists of the CFO and the seven business unit managers (Denmark, Finland, Norway, Sweden, SealEco, Taasinge Elementer and Veg Tech). The CEO and other members of the Group Management team are presented in more detail on pages 52–53.

The Group Management team conducts management meetings at regular intervals and held eleven meetings in 2018. The meetings are focused on the Group's strategic and operative development and financial performance. In addition to these meetings, the senior executives work in close daily cooperation regarding various matters.

## REMUNERATION FOR BOARD MEMBERS AND GROUP MANAGEMENT

### Board of Directors

Fees and other remuneration for members of the Board of Directors, including the Chairman of the Board, are determined by the company's shareholders at the Annual General Meeting based on proposals made by the Board of Directors and the Nomination Committee. The Annual General Meeting has resolved that fees be payable for the 2018 accounting year as follows: SEK 500,000 to the Chairman of the Board and SEK 275,000 to each of the other Board members. Remuneration for the Chairman of the Audit Committee amounts to SEK 100,000 and each member of the Audit Committee is paid SEK 50,000. Board members are not entitled to any special benefits on resigning from the Board of Directors.

### Executive Management and Group Management team

The Board of Directors' policy is that salaries and other benefits be on market terms and adequate to attract sufficiently qualified employees for the relevant positions. The Board of Directors determines the remuneration payable to the members of executive management, including the CEO. The salaries for the members of executive management consist of a fixed salary, variable salary and other benefits. The annual salary of the company's CEO amounts to EUR 0.5 m, together with a variable portion of at most 60 percent of annual salary.

The CEO, supported by the Board of Directors, determines the remuneration payable to other members of Group Management. The salaries to the members of Group Management consist of a fixed salary and pension, and the possibility to receive variable salary and other benefits. The variable salary to which the company's CEO and CFO and the seven business unit heads are entitled is capped at 60 percent of their fixed salary.

The members of the executive management team and Group Management will be offered a salary which is on market terms and based on each individual's responsibili-

ties, expertise and performance. In addition, the Annual General Meeting may resolve to offer long-term incentive schemes such as equity-based and share price-based incentive schemes. The purpose of these incentive schemes will be to contribute to long-term value growth and provide a shared interest in value growth for shareholders and employees. For further information on remuneration to the Board of Directors and Group Management, see pages 50–53 and 72–73 respectively, and Note 7.

The long-term performance-based remuneration programmes (LTIP 2017 and LTIP 2018 respectively) aim at strengthening Nordic Waterproofing's ability to retain the most talented individuals in key positions, and at stimulating participants to increase their efforts by linking their financial interests and perspectives with those of shareholders. LTIP 2017 and LTIP 2018 will run over a period of three years, with the outcome being dependent on the fulfilment of various financial performance requirements. To obtain the maximum allocation of rights to performance shares in LTIP 2018, EBIT growth over the period 1 January 2018 to 31 December 2020 must correspond to an annual average of 12 percent. More information on LTIP 2017 and LTIP 2018, is provided on page 73.

## 8 BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL AND FINANCIAL REPORTING

The responsibilities of the Board of Directors and the executive management for financial reporting and internal control is, among other things, governed by the Danish Accounting Act, the Danish Annual Reports Act, the Danish Companies Act and the Code.

The Board of Directors regularly considers whether it would be expedient to include additional financial and non-financial information in the company's financial reports. The Board of Directors regularly assesses the material risks associated with the company's operations, the implementation of the company's strategy and the risks associated with the financial reporting and seeks to ensure that such risks are managed in a proactive and efficient manner.

As part of the company's risk management, various internal control systems have been established, which are reviewed regularly by the Board of Directors to ensure that such systems are appropriate and sufficient in the context of the company's business and operations. The company's Annual Report includes information about the management of operational risks. The financial reporting and internal controls are aimed at providing the Board of Directors and executive management with reasonable assurance that:

- reporting by the executive management is reliable and in compliance with internal policies and procedures and gives a true and fair view of the company's financial performance and financial position
- material risks are identified and minimized
- internal controls are in place to support the quality and efficiency of the business processes and to safeguard the company's business and assets and
- business is conducted in compliance with applicable laws, regulations and internal policies.

### CONFLICT OF INTEREST TRANSACTIONS

Under the Danish Companies Act, no member of the Board of Directors or executive management may participate in the transaction of business that involves any agreement between the company and that member, or legal proceedings against that member, or the transaction of business that involves any agreement between the company and a third party, or legal proceedings against a third party, if the member has a material interest in such business and that material interest could conflict with the interests of the company.

### 9 AUDITING

Pursuant to the Articles of Association, the Annual General Meeting must appoint a state-authorized public accountant to audit Nordic Waterproofing's accounts. The company's auditor is PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab with Lars Almskou Ohmeyer as the principal auditor. Lars Almskou Ohmeyer is currently also the auditor for the Danish

subsidiaries. For 2018, the total remuneration to the company's auditor amounted to SEK 7.0 m (9.5). The total remuneration to other auditors in the Group during the period amounted to SEK 0.3 m (0.3). Please refer to Note 36 for further information.

The auditor is appointed for a term of one year by the shareholders following a proposal by the Board of Directors and following recommendation from the Audit Committee. The scope of the auditor's duties, including audit and non-audit duties, is agreed annually between the Board of Directors and the auditor based on recommendations by the Audit Committee. The company has regular discussions and regularly exchanges information with the auditor. To ensure that the dealings of the Board and Audit Committee's treatment are conducted in a structured manner, and to meet the Board's information requirements, Nordic Waterproofing's auditors met the Audit Committee on two occasions in 2018.

The auditor is obliged to attend the Annual General Meeting and is entitled to attend other General Meetings. At the Annual General Meeting, the auditor is obliged to answer questions raised relating to the Annual Report. The auditor is also entitled to attend any Board meeting at which the Annual Report of the company is presented and – under the Board's rules of procedure – any other Board meetings at which financial statements are considered, on which the auditor must provide a statement.

### INFORMATION POLICY AND INSIDER AND LOGBOOK POLICY

Nordic Waterproofing has prepared an information policy and an insider policy for the purpose of informing employees and other relevant parties at the company about the laws and regulations applicable to the distribution of information by the company, and the special requirements imposed on persons who are active in a listed company with regard to, among other things, price-sensitive information. In this context, the company has established routines for handling the distribution of information.

### THE IR FUNCTION

The IR function is headed by the company's CFO. Its primary duties are to prepare quarterly and Annual Reports, analyst conferences, General Meetings and capital market presentations, and to regularly report on IR activities. External financial information is regularly provided in the form of:

- Interim reports
- Annual Report
- Regulatory, as well as non-regulatory press releases
- Presentations for financial analysts, investors and the media on the date of publication of the year-end and interim reports
- Meetings with financial analysts, investors and media representatives.

### ADDITIONAL INFORMATION

Visit [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com) for information such as the Articles of Association, the Code of Conduct, and information from previous General Meetings as well as media releases.

## REQUIREMENT TO DISCLOSE SHAREHOLDINGS

Since Nordic Waterproofing Holding A/S's registered office is located in Denmark, the Swedish Financial Instruments Trading Act (1991:980) provides that corresponding Danish rules apply as regards the requirement to disclose shareholdings.

For the purpose of designating the home member state pursuant to the Transparency Directive (2004/109/EC, as amended), Denmark is the company's home member state. Pursuant to section 38 of the Danish Capital Markets Act, holders of shares in Danish companies with shares admitted to trading on Nasdaq Stockholm are required to give simultaneous notice to the company and the Danish FSA of the shareholdings in the company immediately, when the shareholding reaches, exceeds or falls below thresholds at intervals of 5, 10, 15, 20, 25, 50 or 90 per cent. and limits of 1/3 or 2/3 of the voting rights or nominal value of the total share

capital. When a company has received a notification, it must publish the content of the notification as soon as possible.

Holders of shares in a company mean a natural or legal person who, directly or indirectly, holds

- 1) shares in the company on behalf of himself and for his own account,
- 2) shares in the company on behalf of himself, but for the account of another natural or legal person, or
- 3) share certificates, where such holder is considered a shareholder in relation to the underlying securities represented by the certificate.

The notification must be made immediately and during the same trading day (before midnight) of the transaction and in accordance with the provisions of the Executive Order no. 1256 of 5 November 2015 and must state the number of voting rights

and shares held directly or indirectly following the transaction.

The notification must further state the transaction date on which the threshold was reached or no longer reached and the identity of the shareholder as well as the identity of any natural or legal person with the right to vote on behalf of the shareholder. In the case of a group structure, the chain of controlled undertakings through which voting rights are effectively held shall also be disclosed. The information must be notified to the company and simultaneously submitted electronically to the Danish FSA. Failure to comply with the notification requirements is punishable by fine.

Please refer to [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com) under the headline Shareholders for more information.

# BOARD



Name	Ulf Gundemark	Jørgen Jensen	Allan Lindhard Jørgensen
Position	Chairman of the Board since 2015. Chairman of the Remuneration Committee. Member of the Nomination Committee.	Board member since 2015. Chairman of the Audit Committee.	Board member since 2018.
Year elected	2015	2015	2018
Born	1951	1968	1965
Nationality	Swedish	Danish	Danish
Other assignments	Board member of AQ Group AB, GUMACO AB, Opti Group AB, Ripasso Energy AB and Lantmännen ekonomisk förening.	CEO of Widex A/S and Board member of several subsidiaries of Widex A/S. Board member and CEO of JFJ Invest ApS. Board member of DFDS A/S, and Vice Chairman of the Board of Velux A/S.	CEO of Dovista A/S. Chairman of the Boards of Velfac A/S, Rational Vinduer A/S, and Svenska Fönster AB. Board member of OH Industri A/S, and Pankas A/S.
Previous assignments	Chairman of Bridge to China AB, Chairman and Board member of Lindab International AB and Ripasso Energy Systems AB, and Board member of Scandi Standard AB, Solar A/S, Lønne International AS and Constructor Group A/S.	President and CEO of Nilfisk-Advance A/S, Chairman of the Board of Alto Danmark A/S and several companies in the Nilfisk Group, Board member and member of the Audit Committee of Auriga A/S and Board member of TCM A/S.	Board member of Huscompagniet A/S, CEO of Kemp & Lauritzen A/S, COO of NCC AB, CEO of Eurodan-huse A/S, chief accountant with Eurodan-huse A/S, auditor with PricewaterhouseCoopers A/S.
Education	Master of Science in Electrotechnology from Chalmers University of Technology, Gothenburg, Sweden. Supplementary courses at IFL and INSEAD.	Master of Science in Economics from Aarhus University, Denmark.	Bachelor of Commerce, Accounting, Copenhagen Business School, Denmark.
Independent in relation to major shareholders	Yes.	Yes.	Yes.
Independent in relation to the company	Yes.	Yes.	Yes.
Shareholding in Nordic Waterproofing <sup>1)</sup>	34,000 shares. Has purchased 7,500 NWG shares during 2018.	20,976 shares. Has not traded in the NWG share during 2018.	0 shares. Has not traded in the NWG share during 2018.
Participation in Board meetings	14 of 14 meetings.	11 of 14 meetings.	9 of 11 meetings.
Audit Committee attendance	–	5 of 5 meetings.	–
Remuneration committee attendance	2 of 2 meetings.	–	–
<b>Fees in 2018<sup>2)</sup></b>			
Board assignments	SEK 500,000	SEK 275,000	SEK 183,333
Committee assignments	–	SEK 100,000	–
<b>Total 2018</b>	<b>SEK 500,000</b>	<b>SEK 375,000</b>	<b>SEK 183,333</b>

1) Own shares and shares held by closely related parties. Board assignments and holdings in Nordic Waterproofing as stated above reflect the situation as per 31 December 2018. This information is updated regularly at [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com).

2) The fees paid to the members of the Board of Directors elected by the Annual General Meeting are approved by the Annual General Meeting based on the proposals of the Nomination Committee. For the 2018 calendar year, remuneration was paid as per Note 7. No consulting fees were paid to Board members. Remuneration excludes travel allowances.

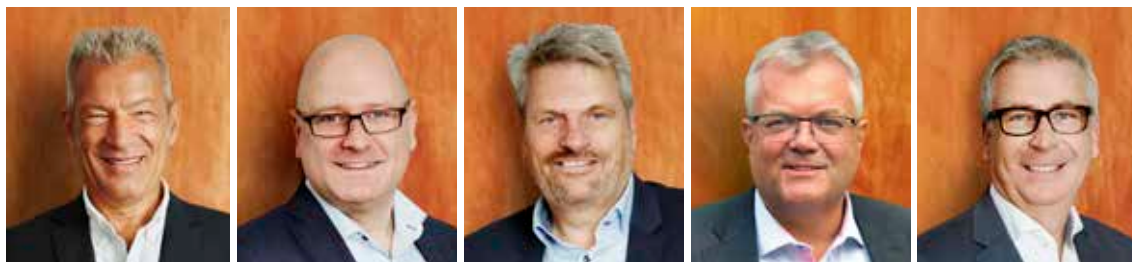


Name	Riitta Palomäki	Mats O. Paulsson	Kristina Willgård
Position	Board member since 2016. Member of the Audit Committee.	Board member since 2017. Member of the Audit Committee.	Board member since 2017. Member of the Remuneration Committee.
Year elected	2016	2017	2017
Born	1957	1958	1965
Nationality	Finnish	Swedish	Swedish
Other assignments	Member of the Audit Committee and Member of the Supervisory Board at OP Cooperative.	Chairman of the Boards of Caverion Oy, Nordisk Bergteknik AB, KEWAB, AKEAB, and Mark & Energibyggarna AB. Board member of Eleda Acquisition AB, and Bösarps Grus & Torrbruk AB.	CEO of AddLife AB, Chairman of the Board of AddLife Development AB, Board member of Mediplast AB, Biolin Scientific AB, and Biomedica Medizinprodukte GmbH, and assignments as member and shareholder in Willgård AB.
Previous assignments	Board member, Chair of the Audit Committee and member of the Remuneration Committee at HKScan Oyj, Executive Vice President and CFO of Uponor Oyj, Board member and Chair of the Audit Committee of Componenta Oyj, CFO of Kuusakoski Group, various managerial positions at Konecranes and ABB Finland.	CEO of Bravida AB, CEO of Strabag Scandinavia AB and CEO of Peab Industri AB. Member of the boards of Acando AB, Paroc Oy, Ramirent Plc, BTH Bygg AB, and WinGroup AG.	CFO of Addtech AB, Finance Director at Ericsson AB, CFO of Netwise AB, CFO of Acando AB and auditor at Arthur Andersen, among other managerial positions. Board member of Serneke Group AB.
Education	Master of Science in Accounting and ICT from Turku School of Economics and Business Administration, Finland.	Master of Science in Engineering from Lund University of Technology, Sweden.	Master of Science of Economics, Lund University, Sweden.
Independent in relation to major shareholders	Yes.	Yes.	Yes.
Independent in relation to the company	Yes.	Yes.	Yes.
Shareholding in Nordic Waterproofing <sup>1)</sup>	3,000 shares. Has not traded in the NWG share during 2018.	15,000 shares. Has not traded in the NWG share during 2018.	0 shares. Has not traded in the NWG share during 2018.
Participation in Board meetings	13 of 14 meetings.	12 of 14 meetings.	12 of 14 meetings.
Audit Committee attendance	5 of 5 meetings.	5 of 5 meetings.	-
Remuneration committee attendance	-	-	2 of 2 meetings.
<b>Fees in 2018<sup>2)</sup></b>			
Board assignments	SEK 275,000	SEK 275,000	SEK 275,000
Committee assignments	SEK 50,000	SEK 50,000	-
<b>Total 2018</b>	<b>SEK 325,000</b>	<b>SEK 325,000</b>	<b>SEK 275,000</b>

1) Own shares and shares held by closely related parties. Board assignments and holdings in Nordic Waterproofing as stated above reflect the situation as per 31 December 2018. This information is updated regularly at [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com).

2) The fees paid to the members of the Board of Directors elected by the Annual General Meeting are approved by the Annual General Meeting based on the proposals of the Nomination Committee. For the 2018 calendar year, remuneration was paid as per Note 7. No consulting fees were paid to Board members. Remuneration excludes travel allowances.

## GROUP MANAGEMENT



Name	Martin Ellis	Jonas Olin	Petter Holth	Bengt-Erik Karlberg	Mats Lindborg
Position	President and CEO.	Chief Financial Officer (CFO).	Head of Nordic Waterproofing Norway.	Head of Veg Tech.	Head of Nordic Waterproofing Sweden.
Employed since	2011	2007	2012	2005	1986
In current position since	2015	2011	2017	2018	2011
Born	1956	1972	1959	1969	1964
Nationality	British	Swedish	Norwegian	Swedish	Swedish
Education	Diploma from HEC Paris Business School, France. In addition, attended Stern Business School in New York, US and Getulio Vargas Business School in Sao Paulo, Brazil.	B. Sc. economics and business accounting, Lund University, Sweden.	Four-year technical high school diploma in Building and Civil Engineering from Gjøvik Tekniske Fagskole, Norway.	Development Engineer (B.Sc.) Halmstad University, Sweden. Trained reserve officer in the Royal Swedish Air Force.	Four-year technical high school diploma in Building and Civil Engineering from Erik Dahlbergs Gymnasium in Jönköping, Sweden.
Selection of previous positions	CEO of Nordic Waterproofing and Chairman of the Board of Nordic Waterproofing. 30 years of experience as CEO and other leading positions, including at Icopal (CEO) and Saint Gobain (President of the Building Materials Division).	20 years of experience as CFO, controller and auditor, including Trelleborg Waterproofing, Abdon Finax, IKEA Industry and Mazars.	30 years of experience of sales and marketing in the building industry. CEO of Nortett Bygg A/S.	More than 20 years of senior management experience, including at Veg Tech and Mekra Lang.	30 years of experience in sales and marketing positions, including at Trelleborg Waterproofing.
Shareholding in Nordic Waterproofing <sup>1)</sup>	366,270 shares. Has not traded in the NWG share during 2018.	50,010 shares. Has not traded in the NWG share during 2018.	154,395 shares. Has not traded in the NWG share during 2018.	15,000 shares. Has purchased 15,000 NWG shares during 2018.	61,414 shares. Has not traded in the NWG share during 2018.

1) Own and closely related. Holdings in Nordic Waterproofing as stated above reflect the situation as per 31 December 2018.

### PRINCIPLES FOR REMUNERATION

The following are the principles for remuneration of senior executives adopted by the 2018 Annual General Meeting:

Members of the company's Board of Directors and Executive Management receive a fixed annual remuneration. In addition, members of the Board of Directors and Executive Management may receive incentive-based remuneration consisting of cash bonus (including cash bonuses based on development in the share price) – on an ongoing, one-off and event-based basis.

### CASH BONUS REMUNERATION

Cash bonus schemes may consist of an annual bonus, which the individual member of the Board of Directors and the executive management can receive if specific targets of the company and other possible personal targets for the relevant year are met. The cash bonus shall be equivalent to at most 100 percent of the fixed base

salary of each eligible participant from the Board of Directors and the executive management. Payment of bonus is only relevant when conditions and targets have been fully or partly met (as agreed). If no targets are met, no bonus is paid out.

Targets for the Board of Directors shall be agreed upon by the Board of Directors and the Nomination Committee. Targets for the executive management shall be agreed upon by the Board of Directors and the executive management.

Other bonus schemes that may lead to cash bonuses of up to 100 percent of the base salary may be made in special cases. Such schemes shall typically be made so as to take effect upon the occurrence of a specific event. Subject to the restrictions of applicable law, specific events can be the acquisition of a controlling interest in a company, the completion of a takeover bid, or the completion or reaching of other significant transactions or objectives.



Name	Esa Mäki	Paul Erik Rask	Martin Tholstrup	Thomas Zipfel
Position	Head of Nordic Waterproofing Finland.	Head of Nordic Waterproofing Denmark.	Head of Taasinge Elementer.	Head of SealEco.
Employed since	2017	1992	2017	2009
In current position since	2017	2011	2017	2011
Born	1969	1962	1976	1961
Nationality	Finnish	Danish	Danish	Swedish
Education	Master of Science in building economics and a Bachelor in building construction technology from Tampere University, Finland.	Bachelor in Business Administration from Aarhus University, a Bachelor in Marketing from Aalborg University and an Executive Master of Business Administration from the Scandinavian International Management Institute in Copenhagen. Has also studied the Advanced Management Programme at INSEAD.	Carpenter from Svendborg Erhvervsskole, Denmark and an AP degree in Construction Technology from Erhvervsakademiet Lillebælt, Denmark.	Master of Science in electronics engineering from Industrie und Handelskammer in Bochum, Germany. In addition, he has studied an Executive Marketing Program and Executive Management Program at IFL, Stockholm School of Economics, Sweden.
Selection of previous positions	CEO of Nesco Group and various managerial positions at Icopal Finland and other companies in the building material industry.	30 years of experience of leading positions and sales and marketing, including at Trelleborg Phønix A/S.	CEO of AtticGroup A/S and AtticGroup AB, and 20 years of experience from development, sales and prefabrication within the construction industry.	20 years of experience of managing positions, including at Trelleborg Waterproofing.
Shareholding in Nordic Waterproofing <sup>1)</sup>	12,055 shares. Has purchased 8,000 NWG shares during 2018.	103,683 shares. Has not traded in the NWG share during 2018.	19,000 shares. Has not traded in the NWG share during 2018.	90,504 shares. Has not traded in the NWG share during 2018.

1) Own and closely related. Holdings in Nordic Waterproofing as stated above reflect the situation as per 31 December 2018.

## REMUNERATION OF GROUP MANAGEMENT

SEK M		Fixed salary	Variable salary	Other benefits	Total	Pension	Total including pension
<b>CEO</b>	<b>2018</b>	<b>5.1</b>	<b>3.1</b>	<b>0.0</b>	<b>8.2</b>	<b>0.0</b>	<b>8.2</b>
	2017	5.0	2.5	0.0	7.5	0.0	7.5
<b>Group Management (8 persons)</b>	<b>2018</b>	<b>13.5</b>	<b>4.7</b>	<b>1.2</b>	<b>19.4</b>	<b>2.2</b>	<b>21.6</b>
	2017	11.5	3.8	1.1	16.4	2.5	18.9
<b>Total</b>	<b>2018</b>	<b>18.6</b>	<b>7.8</b>	<b>1.2</b>	<b>27.6</b>	<b>2.2</b>	<b>29.8</b>
	2017	16.5	6.3	1.1	23.9	2.5	26.4





# RISKS AND RISK MANAGEMENT

All business operations are associated with risks. Risks that are managed well can lead to opportunities and value being generated, while risks that are not managed properly can cause damage and losses.

Demand for Nordic Waterproofing's products and solutions varies by market. The Group focuses on maintaining an exposure to market segments that generally offer a favourable balance between parts of the construction industry that dominate in the earlier and later stages of the economic cycle, as well as towards private individuals and industrial players between which demand is well balanced. Seasonal effects occur and are particularly apparent in the Installation Services operating segment. Read more about seasonal effects on page 33.

## RISKS OF CONFIDENCE

As a leading player in the Nordic waterproofing market, the expectations of Nordic Waterproofing are rigorous. There is a risk for the Group that the behaviour of individual employees or business decisions could erase the trust that has been built up over a long time. It is essential to prevent and minimize the risk of such events and behaviours adversely affecting confidence and trust in the Group and its brands. For this reason, the Group conducts continuous training in the Code of Conduct and product safety.

## CRISIS MANAGEMENT

Nordic Waterproofing's crisis management is decentralized, meaning that events should be resolved locally, as close as possible to the origin of the incident. The crisis organization now in place at the Group level shall ensure that those involved within Nordic Waterproofing have the knowledge and skills required to manage various incidents. If major incidents occur that could affect the Group as a whole, the Group's crisis organization, including the Board of Directors, is to be informed and should assess how the event should be managed.

## RESPONSIBILITY AND REVIEW

The capacity to identify, evaluate, manage and monitor risks is an important part of the management and control of Nordic Waterproofing's business operations. The purpose is for the Group's targets to be achieved through well-considered risk taking within defined limits. Risks and opportunities are regularly reviewed and reported to the Executive Management and the Board of Directors for appropriate responses and actions.

Responsibility for risk work lies with the managers of each of Nordic Waterproofing's different business units. Responsibility refers both to ongoing efforts with operational and other relevant risks, to advance and develop work in the area of risk. A bottom-up risk assessment is conducted

annually in each business unit. A risk matrix with the ten greatest risks – their probability, consequences and measures for reducing or preventing those risks – is then consolidated from each business unit up to the Group level, forming the basis for a list of the Group's shared risks.

Financial risk management is administered by the Group CFO who is responsible for the Group's external banking relationships, liquidity management, net financial items, interest-bearing liabilities and assets, and for Group-wide payment systems and netting of currency positions. The centralization of financial management entails considerable economies of scale and lower financing costs, while ensuring strict management of the Group's financial risks and improved internal control.

Read more about Nordic Waterproofing's significant risks and risk management on pages 56–57.

# MAJOR RISKS AT NORDIC WATERPROOFING

RISK	DESCRIPTION	DEVELOPMENT IN 2018	
Market	Development of the construction market	The waterproofing market is a relatively small niche within the construction market and generally follows the fluctuations in the construction industry. Demand for Nordic Waterproofing's products and services may fall because of lower construction activity.	Demand from the construction industry remained strong throughout 2018. Nordic Waterproofing's distribution of sales was stable, with approximately 60 percent to renovation and 40 percent to new build.
	Competition	By developing their products, improving their production methods or offering their products at lower prices, Nordic Waterproofing's competitors could cause customers to prefer their products. Synthetic materials, such as PVC and TPO, which account for a small proportion of the Group's turnover, may increase in popularity at the expense of bitumen.	Nordic Waterproofing is constantly monitoring the development in its market. The overall demand for bitumen and EPDM products, and other materials supplied via Nordic Waterproofing's local representatives, is stable in the Group's market.
Operational	Unforeseen problems in connection with acquisitions	Unforeseen business-related problems associated with the acquired companies or the integration processes may take longer or be costlier than anticipated, and expected synergies could fail to, or only partially, materialize. Thus, the value of assets relating to the acquisitions – goodwill – may not be realized and may need to be written down.	During 2018, the Group made three acquisitions. Plans for integrating the new acquisitions were included in the acquisition process. A senior team of managers are involved from the start, supported by a structured due diligence process, and the Group's Code of Conduct.
	Seasonality	Irregular seasonal variations, e.g. an earlier winter season, may affect building activities.	The Group maintains an agile organization to meet the challenges posed by the Nordic winter and summer weather conditions.
	Disruption in production	The Group's manufacturing and installation operations could suffer stoppages or disruptions in the form of, for example, fire, engine breakdowns, failures in IT systems, disputes with labour organizations, weather conditions or natural disasters.	The bitumen manufacturing units in Denmark, Finland and Sweden are maintained routinely and, once a year, production is stopped for systematic servicing. In addition, Nordic Waterproofing has spare capacities in its production units, allowing for a shorter accidental stop.
	Environmental permits	The production facilities in Denmark, Finland and Sweden are subject to mandatory reporting obligations and require permits. The operations affect the external environment primarily through noise and emissions.	The Group has all necessary permits for its operations and is monitoring any changes in the environmental regulations and permit regulations in each relevant country.
	IT system and process failure	The Group's IT systems can be disrupted by software failures, computer viruses, hacking, sabotage and physical damage, for example.	A central organization is continually monitoring the system's status and carrying out monthly updates to protect the Group's IT systems. No major disruptions were reported in 2018.
	Supplier relationships	Access to alternative suppliers from whom bitumen and rubber components can be purchased is considered crucial in the event that partnerships with the Group's primary suppliers were to come to an end. The supply agreement for rubber products contains minimum volume commitments for the Group, reducing the option to purchase rubber compounds from alternative suppliers and adapt to lower demand.	The Group has integrated risk mitigation and dependency into the sourcing process. Potential suppliers are evaluated and a two-tier supplier scheme is used when possible.
	Raw material costs	There is a risk that the Group will be unable to compensate for an increase in the cost of input goods by imposing a higher price on a customer or that this compensation will only be obtained after a period of time, which will have an adverse effect on the Group's results and financial position.	The Group is exposed to volatility of raw materials, and can decide to hedge the price levels for a certain period and/or respond by increasing the price of its products. During 2018, the price for bitumen was volatile and increased substantially and the Group implemented measures to mitigate any negative effects.
	Political risks	One of Nordic Waterproofing's key bitumen suppliers sources part of its oil from producers operating in Venezuela. Following the Executive Order 13850 by the US Treasury Department's office of Foreign Assets Control ("OFAC"), Nordic Waterproofing's supplier has requested a confirmation that it will be allowed to continue to purchase products from their supplier. OFAC has provided special treatment by singling it out in a new general license issued by OFAC to allow the company to continue its operations.	Due to the current political situation in Venezuela, Nordic Waterproofing will continue to be in contact with its suppliers that may be affected of any sanctions.

RISK		DESCRIPTION	DEVELOPMENT IN 2018
	Effects of Brexit	Nordic Waterproofing conducts operations in the UK through its business unit SealEco. The operations in the UK are to a certain extent dependent on imports of goods from the production unit in Sweden, but combined with the fact that Nordic Waterproofing's sales in the UK account for less than 2 percent of the Group's total sales, Nordic Waterproofing estimates that an exit from the EU, in one form or another, will not have a significant direct impact on the Group's earnings.	The development surrounding Brexit is continuously monitored in order to mitigate potential negative effects.
Legal	Competition law	Competition authorities have the power to take legal action and may require a party to cease applying terms and conditions or prices in agreements that are found to be anti-competitive.	Nordic Waterproofing A/S and other providers of waterproofing products are subject to an investigation by the Danish Competition and Consumer Authority (KFST). The decision from the Danish Competition Council has been appealed, and the Danish Competition Appeals board has decided to remit the case back to the Council for re-assessment. At present, the process is uncertain and not possible to predict. Nordic Waterproofing is cooperating with the KFST.
	Changes to regulations	Changes in stimuli to encourage the construction of new-buildings, e.g. legislation, regulations and rules affecting town planning, zoning plans and land development, as well as building permit/planning permission regulations, may change in the future. Furthermore, changes may occur in the regulations for contributions, such as the ROT deductions in Sweden and household allowances in Finland.	Nordic Waterproofing's products are well established in all relevant markets and the Group is exposed to a limited extent to changes in the subsidies in different countries. The taxreduction in the Swedish ROT (Repairs, Conversion, Extension) deduction scheme as well as the lending restrictions and amortization requirements have had a certain, albeit limited, impact in 2018.
	Intellectual property rights	The Group has developed products that lack patent protection that may be more important to the Group and its competitive position on the market than what has previously been considered to be commercially reasonable. There is also a risk that the Group will be unable to defend trademarks and patents granted.	The Group has assigned an external party and established routines to register and maintain its patents, trade marks and other intellectual property.
	Compliance risks	With 1,033 employees in ten countries there is an inherent risk that any Nordic Waterproofing employee is involved in unethical behavior in terms of bribery, corruption, fraud or other illegal or unethical behaviour. The same goes for the Group's suppliers.	In 2018, the updated version of the Group's Code of Conduct and Whistleblower policy was signed-off by 94 percent of the employees, and the document will be followed up annually in the annual performance reviews. In addition, the development of a Code of Conduct for Suppliers is in its final stage and will be introduced in 2019.
Financial	Currency risks	The Group is exposed to currency risk in the form of transactions and currency conversions. Transaction exposure arises in connection with acquisitions and sales of goods and services in currencies other than the local currency of the relevant subsidiary. The translation exposure constitutes the risk represented by the translation difference in the form of the change in equity.	The Group has significant cash flows in foreign currencies (DKK, EUR and NOK) that arise in the ordinary course of the Group's business. Inflows and outflows of those foreign currencies are naturally well balanced and any net transaction exposure is therefore considered insignificant.
	Credit risks	Credit risks Credit risks may occur in relationships with customers failing to perform their obligations.	In each country, Nordic Waterproofing has a large number of customers, most with low outstanding credit. As the Group maintain a close relationship with its customers and any delays are monitored and rectified as soon as possible. No major credit loss was reported in 2018.
Sustainability	Environmental and occupational health and safety risks	The Group is exposed to environmental and production risks, such as major fires with both production stoppages and environmental impact as a consequence. Group operations, especially the installation businesses which involves roof laying, are also subjected to risks of accidents, with very severe injuries or even deadly outcomes as a consequence.	With regard to fires in proprietary production, this is followed up for each individual business unit in an annual assessment with preventive action programmes and testing of emergency contingencies. The follow-up is reported to Group Management. The Group continuously trains personnel with the aim of minimizing risks and accidents. Best practice comparisons are made between the different countries' organizations.
	Human rights	The Group has both common supply chains, and supply chains specific for our business units. We evaluate our suppliers but there is a risk that there are breaches of labour and human rights lower in the value chain.	In 2018, we initiated a project looking further into the possible impacts of our business. We are now in the final phase of developing a Supplier Code of Conduct.

# THE SHARE AND OWNERSHIP INFORMATION



## SHARE PRICE AND TRADING

The closing price for the NWG share on 28 December 2018 was SEK 71.30 (70.50), corresponding to a market capitalization of approximately SEK 1,717 m (1,698). In 2018, a total of 14,540,213 NWG shares were traded on the Nasdaq Stockholm exchange for an average price of SEK 77.37 per share.

The average number of shares traded per trading day was 58,160. The highest price paid during the period 1 January to 31 December 2018 was SEK 88.90 (100.50) on 21 June and the lowest price paid was SEK 67.10 (69.00) on 6 February. The share price on 28 December 2018 was SEK 71.30 (last price paid). During the period from 1 January to 31 December 2018, Nordic Waterproofing's share price increased by one percent, while the OMX Mid Cap index decreased by 4.5 percent (increase of 6.0).

## SHAREHOLDERS

On 31 December 2018, most of the total share capital was owned by Swedish institutions and mutual funds (55.4 percent) and private investors (11.7 percent). At 31 December 2018 Nordic Waterproofing Holding A/S had more than 3,700 (2,900) shareholders. The ten largest shareholders accounted for 60.6 (54.2) percent of the votes and of the share capital.

The Nordic Waterproofing Board of Directors held a total of 72,976 (88,476) NWG shares. The holdings of the individual members appear on pages 50-51. Group Management held a total of 872,331 (849,331) NWG shares. The holdings of the individual members appear on pages 52-53. Nordic Waterproofing held 11,610 treasury shares as per 31 December 2018.

As part of the long-term performance-based incentive programme, LTIP 2018, the company may repurchase shares with the purpose of ensuring the supply of shares through the exercise of performance shares in LTIP 2018. Additional information on LTIP 2018 is provided on page 73, Note 7.

## SHARE CAPITAL AND CAPITAL STRUCTURE

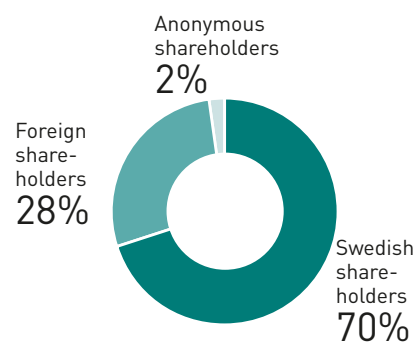
Nordic Waterproofing Holding A/S's share capital at 31 December 2018 amounted to DKK 24,083,935. The total number of shares is 24,083,935. The quota value per share is DKK 1.00.

## INDIVIDUALS WITH AN INSIDER POSITION

The members of the Board, the Group's management Team, the authorized public accountant, a number of employees/contract personnel in Nordic Waterproofing and individuals with certain functions in the Group's subsidiaries, who have a position that can normally be assumed to provide access to non-publicized share price sensitive information, have been registered as insiders in Nordic Waterproofing. Listed companies are required to record a logbook of individuals who are employed or contracted by the company and have access to insider information relating to the company. These can include statutory insiders, and other individuals who have insider information without being registered as insiders.

Nordic Waterproofing records a logbook for each financial report or press release containing insider information.

GEOGRAPHIC DISTRIBUTION OF SHAREHOLDERS AS PER 31 DECEMBER 2018, VOTES, %



Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority.



## FINANCIAL CALENDAR 2019

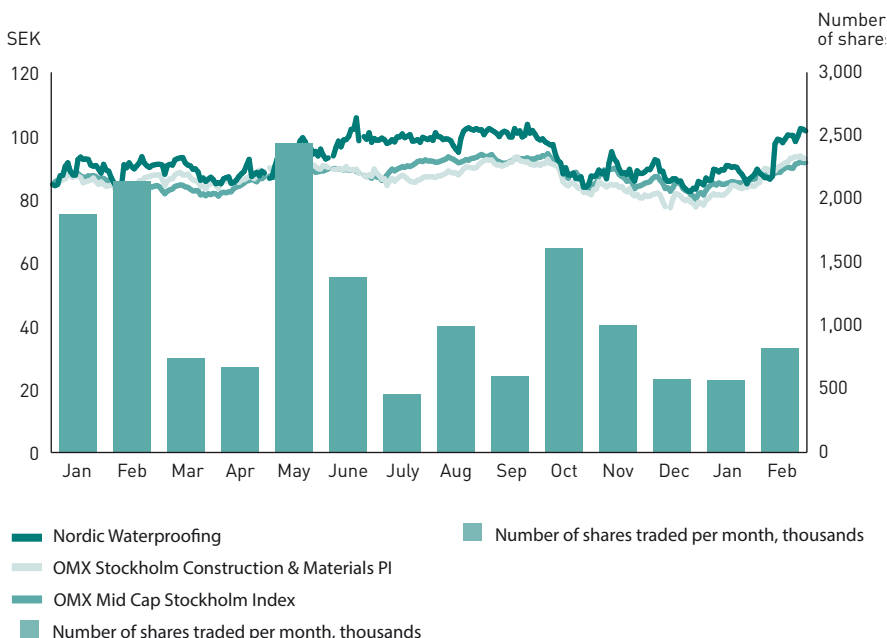
- 24 April Annual General Meeting
- 2 May Interim Report, January–March 2019
- 25 July Interim Report, January–June 2019
- 31 October Interim Report, January–September 2019

The Glasvasen office building immediately adjacent to the Central Station in Malmö, Sweden, has built-in waterproofing from Mataki overlaid with sedum. This green roof has biotopes with vegetation that attracts butterflies and small birds. The green roof also keeps the building cooler in the summer and warmer in winter, while cleaning the air, dampening noise and absorbing rainwater.

## WHY INVEST IN NORDIC WATERPROOFING?

- Market-leading supplier with strong brands in waterproofing and effective solutions in installation and maintenance services. Read more about market positions on pages 10–13.
- We apply efficient production processes, maintaining a high and even level of quality, with potential for further profitability enhancements. Read more about the strategies on pages 16–19.
- Nordic Waterproofing has strong and stable cash flow with good dividend capacity. Read more about the dividend policy on page 60 and comments on the cash flow statement on pages 32–33.
- The number of full-time employees averages 1,033. The Group's management team has long and solid experience of the sector from both international and local operations. Read the presentation of Group Management on pages 52–53.

THE NORDIC WATERPROOFING SHARE 1 JANUARY 2018–28 FEBRUARY 2019



## DIVIDEND POLICY AND DIVIDEND FOR 2018

For 2018, the Board proposes a dividend of SEK 4.00 (3.75) per share, which is equal to 64 [66] percent of net profit for the year. Based on the share price of NWG shares at the end of 2018, the dividend yield for 2018 was 5.6 (5.3) percent.

The total dividend payment of SEK 96 m is to be resolved on by the Annual General Meeting and disbursement is handled by VP Securities A/S and Euroclear Sweden AB.

Entitlement to dividends is granted to those persons who are listed as shareholders in the share register maintained by VP Securities A/S on the record date resolved by the Annual General Meeting.

Nordic Waterproofing's long-term intention is a dividend payout of more than 50 percent of its net profit. The payout decision will be based on the company's financial position, investment needs, liquidity position as well as general economic and business conditions. Neither the Danish Companies Act nor Nordic Waterproofing's Articles of Association contain any restrictions regarding the right to dividends for shareholders outside Sweden. Aside from any limitations related to banking or clearing activities in the affected jurisdictions, payments to foreign shareholders will be carried out in the same manner as to shareholders in Sweden.

The ambition is for future cash flows to continue to be used for repayment of debt and share dividends, but also to create financial flexibility for complementary acquisitions.

## INVESTOR RELATIONS

Nordic Waterproofing aims to be informative and accessible to all shareholders. For results and other key announcements, we provide information on a timely basis to both retail and institutional shareholders. The Nordic Waterproofing corporate website contains a wealth of material for shareholders, including the current share price, press releases and dividends. The website can be accessed at [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com). Nordic Waterproofing maintains a quiet period from the first day following the last day of the quarter until the publication of the Group's quarterly financial reports.

During this period, representatives of the Group will not meet with financial media, analysts or investors.

## KEY INVESTOR RELATIONS ACTIVITIES DURING THE YEAR

Nordic Waterproofing has hosted several site visits for investors and analysts, as well as presenting at Swedish Shareholders' Association (*Sw. Aktiespararna*) meetings.

- February 2018 – Presentation of the fourth quarter and full-year 2017, Stockholm, Sweden
- March 2018 – Capital Goods Seminar, Sweden
- April 2018 – Annual General Meeting 2018, Helsingborg, Sweden
- May 2018 – Presentation of the first quarter, Paris, France
- August 2018 – Presentation of the second quarter, Stockholm, Sweden
- November 2018 – Presentation of the third quarter, web cast

## THE FOLLOWING ANALYSTS MONITOR NORDIC WATERPROOFING'S DEVELOPMENT

ABG Sundal Collier/Introduce: Anders Idborg ([anders.idborg@abgsc.se](mailto:anders.idborg@abgsc.se)) and Karl Bokvist ([karl.bokvist@abgsc.se](mailto:karl.bokvist@abgsc.se))

Carnegie: Kenneth Toll Johansson ([kenneth.toll.johansson@carnegie.se](mailto:kenneth.toll.johansson@carnegie.se))

## INFORMATION ABOUT ANNUAL GENERAL MEETING 2019

The Annual General Meeting of Nordic Waterproofing Holding A/S will take place on Friday, 24 April at 11:00 a.m. (CET), at Radisson Blu Metropol, Carl Krooks gata 16, Helsingborg, Sweden.

## NOTIFICATION TO ATTEND THE ANNUAL GENERAL MEETING

The complete notification convening the Annual General Meeting will be available on the company's website [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com) under the headline Corporate Governance.

To participate in the meeting and to be able to exercise their voting rights, shareholders must be included in the share register maintained by VP Securities A/S by Wednesday, 17 April 2019 at the latest and notify the company of their intention to participate by the same date.

Shareholders who have registered their shares with a trustee must have temporarily registered their shares in their own name by Wednesday, 17 April 2019.

Please note that specific information applies to shareholders who hold their shares through Euroclear Sweden AB.

## PROPOSALS TO ANNUAL GENERAL MEETING 2019

The Board of Directors and the CEO propose that shareholders be paid a cash dividend of SEK 4.00 per share (3.75). Friday, 26 April 2019 is proposed as the record date for the dividend. If the Annual General Meeting resolves in accordance with the proposal, the dividend is expected to be distributed by Euroclear Sweden AB on Thursday, 2 May 2019.

## IR CONTACT

Jonas Olin, CFO and investor relations.  
Phone: +46 708 29 14 54.

e-mail:

[jonas.olin@nordicwaterproofing.com](mailto:jonas.olin@nordicwaterproofing.com)

## KEY DATA PER SHARE

SEK	2018	2017
Earnings before and after dilution	6.30	5.71
Earnings before items affecting comparability	6.80	6.29
Shareholders' equity	45.26	41.91
Dividend	4.00*	3.75
Dividend as a % of earnings per share	63.5%	65.7%
Total dividend, SEK m	96.3	90.3
Yield, %	5.6%	5.3%
Market price, 31 December, last paid price, SEK	71.30	70.50
P/E ratio	11.32	12.35
Number of shares		
At 31 December	24,083,935	24,083,935
Average	24,083,935	24,083,935

\* According to the Board of Directors proposal

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

## TEN LARGEST SHAREHOLDERS AT 31 DECEMBER 2018

Owner	No. of shares	Percentage of votes and capital, %
Mawer Investment Management	2,729,537	11.3
Svolder Aktiebolag	2,504,672	10.4
Swedbank Robur fonds	2,187,095	9.1
Carnegie funds	1,986,505	8.3
Catella funds	1,310,558	5.4
Länsförsäkringar funds	1,221,857	5.1
Handelsbanken funds	850,044	3.5
Third Swedish National Pension fund	638,916	2.7
Traction	600,000	2.5
AMF Insurance & Funds	573,199	2.4
<b>Total, ten largest shareholders</b>	<b>14,602,383</b>	<b>60.6</b>
Other shareholders	9,481,552	39.4
<b>Total</b>	<b>24,083,935</b>	<b>100.0</b>

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

## SHARE DATA

Marketplace	Nasdaq Stockholm
Date of listing	10 June 2016
Segment	Mid Cap
Sector	Construction & Materials
Ticker symbol	NWG
ISIN code	DK0060738409
Currency	SEK
Standard trading unit	1 share
No. of shares outstanding	24,083,935 shares
Highest closing price paid in 2018	SEK 88.90 (21 June)
Lowest closing price paid in 2018	SEK 67.20 (6 February)
Last price paid 2018	SEK 71.30
Share price development in 2018	+1 percent

## SIZE CATEGORIES AT 31 DECEMBER 2018

Range	Number of shareholders	Number of shares	% of votes and capital
1–500	2,915	406,718	1.7
501–3,000	582	752,489	3.1
3,001–30,000	135	1,244,520	5.2
30,001–150,000	24	1,737,652	7.2
150,001–300,000	6	1,243,605	5.2
300,001–	19	18,146,402	75.4
Anonymt ägande	n.a.	552,549	2.2
<b>Total</b>	<b>3,681</b>	<b>24,083,935</b>	<b>100.0</b>

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

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# FINANCIAL INFORMATION



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

SEK m	Note	2018	2017
Net sales	4, 5	2,679.7	2,186.8
Cost of goods sold	6	-1,999.9	-1,602.7
<b>Gross profit</b>		<b>679.7</b>	<b>584.1</b>
Selling expenses	6	-322.4	-272.3
Administrative expenses	6	-161.1	-130.5
Research and development expenses	6	-6.7	-6.5
Other operating income	9	7.3	6.3
Other operating expenses	6, 9	-4.5	-2.5
Share of profit in associated companies	12	19.8	15.1
<b>Operating profit</b>	4, 7, 36	<b>212.1</b>	<b>193.7</b>
Financial income		1.0	0.2
Financial expenses		-22.9	-19.7
<b>Net finance items</b>	10	<b>-21.9</b>	<b>-19.5</b>
<b>Profit before tax</b>		<b>190.3</b>	<b>174.2</b>
Tax	11	-38.5	-36.6
<b>PROFIT FOR THE YEAR</b>		<b>151.8</b>	<b>137.6</b>
<b>Attributable to:</b>			
Shareholders of the Parent company		152.1	136.9
Non-controlling interests		-0.3	0.7
		<b>151.8</b>	<b>137.6</b>
Earnings per share before and after dilution (SEK)	30	6.30	5.71

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

SEK m	Note	2018	2017
<b>Profit for the year</b>		<b>151.8</b>	<b>137.6</b>
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit for the year</b>			
Exchange differences for the year in translation of foreign operations		32.4	19.8
Gains/losses on hedging of currency risk in foreign operations		-6.8	-4.5
Gains/losses on raw material hedging		3.2	-22.1
Tax on gains/losses on other comprehensive income		0.8	5.7
<b>Other comprehensive income for the year</b>		<b>29.7</b>	<b>-1.1</b>
<b>Total comprehensive income for the year</b>		<b>181.4</b>	<b>136.5</b>
<b>Comprehensive income for the year attributable to:</b>			
Shareholders of the Parent company		181.7	135.8
Non-controlling interests		-0.3	0.7
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>181.4</b>	<b>136.5</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK m	Note	2018	2017
<b>Assets</b>			
Goodwill	17	878.5	732.8
Other intangible assets	17	96.9	63.7
Property, plant and equipment	18	268.1	209.8
Investments in associated companies	12	55.3	30.7
Receivables from associated companies		6.7	5.8
Other investments	27	2.1	2.0
Deferred tax assets	11	0.0	0.0
Other non-current receivables		16.3	12.0
<b>Total non-current assets</b>		<b>1,323.8</b>	<b>1,056.8</b>
Inventory	20	345.8	259.6
Trade receivables	21	250.6	199.8
Receivables for on-going construction contracts	22	54.3	43.9
Receivables from associated companies		10.9	13.0
Current tax assets		2.4	1.9
Other current receivables	23	15.5	10.9
Prepaid expenses and accrued income	24	17.9	13.5
Cash and cash equivalents	28	105.6	156.8
<b>Total current assets</b>		<b>803.2</b>	<b>699.3</b>
<b>TOTAL ASSETS</b>		<b>2,127.0</b>	<b>1,756.1</b>
<b>Equity</b>			
Share capital		30.0	30.0
Treasury shares		-0.8	0.0
Reserves		50.9	23.0
Retained earnings including profit for the year		913.6	866.1
Proposed dividend for the financial year		96.3	90.3
<b>Equity attributable to shareholders of the Parent company</b>		<b>1,090.0</b>	<b>1,009.4</b>
<b>Non-controlling interests</b>		<b>15.6</b>	<b>0.5</b>
<b>TOTAL EQUITY</b>	29	<b>1,105.6</b>	<b>1,009.8</b>
<b>Liabilities</b>			
Non-current interest-bearing liabilities	31	416.3	360.3
Other non-current liabilities	32	38.1	37.1
Provisions		5.9	5.8
Deferred tax liabilities	11	75.2	52.6
<b>Total non-current liabilities</b>		<b>535.4</b>	<b>455.9</b>
Current interest-bearing liabilities	31	131.0	0.0
Trade payables		129.2	90.7
Payables for on-going construction contracts	22	15.5	0.0
Current tax liabilities		11.7	9.4
Other current liabilities	25	46.0	57.2
Accrued expenses and prepaid income	26	152.6	133.1
<b>Total current liabilities</b>		<b>485.9</b>	<b>290.4</b>
<b>TOTAL LIABILITIES</b>		<b>1,021.4</b>	<b>746.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,127.0</b>	<b>1,756.1</b>

Information on the Group's contingent liabilities, see Note 35.

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK m	Note	2018	2017
<b>Operating activities</b>			
Operating profit		212.1	193.7
Adjustment for non-cash items etc	37	38.9	23.7
Interest received		0.8	0.2
Interest paid		-10.6	-7.6
Dividends received		12.1	10.8
Income tax paid		-37.2	-38.1
<b>Cash flow from operating activities before working capital changes</b>		<b>216.1</b>	<b>182.6</b>
<b>Cash flow from working capital changes</b>			
Increase (-)/Decrease (+) in inventories		-31.5	-45.2
Increase (-)/Decrease (+) in trade receivable		10.1	-13.7
Increase (-)/Decrease (+) in other operating receivables		-11.8	-20.1
Increase (+)/Decrease (-) in trade payable		8.7	9.3
Increase (+)/Decrease (-) in other operating liabilities		-6.8	13.1
<b>Cash flow from operating activities</b>		<b>184.8</b>	<b>126.1</b>
<b>Investing activities</b>			
Acquisition of intangible assets		-20.2	-2.0
Acquisition of property, plant and equipment		-35.5	-21.2
Disposal of property, plant and equipment		0.2	1.0
Acquisition of business, net cash impact	14	-228.2	-123.2
Acquisition of participations in associated companies		-19.4	-6.6
Disposal of participations in associated companies		0.0	0.2
Increase in receivables in associated companies		-4.3	-0.5
Decrease in receivables in associated companies		0.0	0.0
Increase in other non-current receivables		-3.8	-6.6
Proceeds from other financial investments		0.0	0.0
<b>Cash flow from investing activities</b>		<b>-311.2</b>	<b>-158.8</b>
<b>Financing activities</b>			
Proceeds from loans and borrowings	31	259.3	0.4
Repayment of borrowings	31	-95.0	-50.1
Repurchased own shares		-0.8	0.0
Dividends paid		-90.3	-90.3
<b>Cash flow from financing activities</b>		<b>73.2</b>	<b>-140.0</b>
Cash flow for the year		-53.3	-172.7
Cash and cash equivalents at beginning of year		156.8	328.4
Exchange-rate differences in cash and cash equivalents		2.1	1.0
<b>Cash and cash equivalents at year-end</b>		<b>105.6</b>	<b>156.8</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK m	Equity attributable to Parent Company shareholders							Non-controlling interests	Total equity
	Share capital	Treasury shares	Reserves for hedging	Translation reserve	Dividend	Retained earnings	Total		
<b>Equity as at 1 January 2017</b>	<b>30.0</b>	<b>0.0</b>	<b>17.3</b>	<b>6.8</b>	<b>90.3</b>	<b>819.5</b>	<b>963.8</b>	<b>-0.2</b>	<b>963.6</b>
<b>Total comprehensive income for the year</b>									
Profit/loss for the year	-	-	-	-	-	136.9	136.9	0.7	137.6
Other comprehensive income for the year	-	-	-22.1	15.3	-	-	-6.8	-	-6.8
Tax on gains/losses on comprehensive income	-	-	4.8	1.0	-	-	5.7	-	5.7
<b>Total comprehensive income for the year</b>	<b>0.0</b>	<b>0.0</b>	<b>-17.3</b>	<b>16.2</b>	<b>0.0</b>	<b>136.9</b>	<b>135.8</b>	<b>0.7</b>	<b>136.5</b>
<b>Transactions with the Group's owners</b>									
Paid dividend	-	-	-	-	-90.3	-	-90.3	-	-90.3
Proposed dividend for the financial year	-	-	-	-	90.3	-90.3	0.0	-	0.0
<b>Total contributions from and distribution to owners</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-90.3</b>	<b>-90.3</b>	<b>0.0</b>	<b>-90.3</b>
<b>Changes in participating interest in subsidiaries</b>									
Transactions with non-controlling interests	-	-	-	-	-	-	0.0	-	0.0
<b>Total changes in participating interest in subsidiaries</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total transactions with the Group's owners</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-90.3</b>	<b>-90.3</b>	<b>0.0</b>	<b>-90.3</b>
<b>Equity as at 31 December 2017</b>	<b>30.0</b>	<b>0.0</b>	<b>0.0</b>	<b>23.0</b>	<b>90.3</b>	<b>866.0</b>	<b>1,009.4</b>	<b>0.5</b>	<b>1,009.8</b>

SEK m	Equity attributable to Parent Company shareholders							Non-controlling interests	Total equity
	Share capital	Treasury shares	Reserves for hedging	Translation reserve	Dividend	Retained earnings	Total		
<b>Equity as at 1 January 2018</b>	<b>30.0</b>	<b>0.0</b>	<b>0.0</b>	<b>23.0</b>	<b>90.3</b>	<b>866.0</b>	<b>1,009.4</b>	<b>0.5</b>	<b>1,009.8</b>
<b>Total comprehensive income for the year</b>									
Profit/loss for the year	-	-	-	-	-	152.1	152.1	-0.3	151.8
Other comprehensive income for the year	-	-	3.2	25.6	-	-	28.8	-	28.8
Tax on gains/losses on comprehensive income	-	-	-0.7	1.5	-	-	0.8	-	0.8
<b>Total comprehensive income for the year</b>	<b>0.0</b>	<b>0.0</b>	<b>2.5</b>	<b>27.1</b>	<b>0.0</b>	<b>152.1</b>	<b>181.7</b>	<b>-0.3</b>	<b>181.4</b>
<b>Transactions with the Group's owners</b>									
Repurchased own shares	-	-0.8	-	-	-	-	-0.8	-	-0.8
Paid dividend	-	-	-	-	-90.3	-	-90.3	-	-90.3
Proposed dividend for the financial year	-	-	-	-	96.3	-96.3	0.0	-	0.0
<b>Total contributions from and distribution to owners</b>	<b>0.0</b>	<b>-0.8</b>	<b>0.0</b>	<b>0.0</b>	<b>6.0</b>	<b>-96.3</b>	<b>-91.1</b>	<b>0.0</b>	<b>-91.1</b>
<b>Changes in participating interest in subsidiaries</b>									
Transactions with non-controlling interests	-	-	-	-	-	-10.0*	-10.0	15.4	5.4
<b>Total changes in participating interest in subsidiaries</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-10.0</b>	<b>-10.0</b>	<b>15.4</b>	<b>5.4</b>
<b>Total transactions with the Group's owners</b>	<b>0.0</b>	<b>-0.8</b>	<b>0.0</b>	<b>0.0</b>	<b>6.0</b>	<b>-106.3</b>	<b>-101.1</b>	<b>15.4</b>	<b>-85.7</b>
<b>Equity as at 31 December 2018</b>	<b>30.0</b>	<b>-0.8</b>	<b>2.5</b>	<b>50.1</b>	<b>96.3</b>	<b>911.8</b>	<b>1,090.0</b>	<b>15.6</b>	<b>1,105.6</b>

\*Relating to put option liability in respect of the RVT AS acquisition (refer to Note 14) as risks and rewards still are belonging to the non-controlling interests.

## NOTE 1 ACCOUNTING POLICIES

### BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) as adopted by the EU and additional Danish disclosure requirement applicable for class D entities. In addition, the Group applies interpretations from IFRS Interpretations Committee (IFRIC).

The accounting policies in this note and in the following notes have been applied to the financial statement prepared as at 31 December 2018 and for the comparative information as per 31 December 2017.

Below is a description of which accounting policies the Group applies as of 1 January 2012.

### BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Assets and liabilities are recognized at historical cost, except some financial assets and liabilities that are valued at fair value. Financial assets and liabilities that are valued at fair value consist of derivative instruments. Non-current assets and disposal groups held for sale are recognized, with some exceptions, as of the classification of such assets at the lower of the carrying amount at the time of reclassification and the fair value less cost of disposal.

### FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The Parent Company's functional currency is Danish kronor (DKK) while the presentation currency for the Group is Swedish kronor (SEK) due to the Group's primary stakeholders. This means that the financial statements are presented in SEK. All amounts are rounded to the nearest thousand, unless otherwise stated. This rounding off process may mean that the total sum of the sub-items in one or more rows or columns does not match the total sum for the row or column.

### CONSOLIDATION POLICIES AND BUSINESS COMBINATIONS

#### Transactions eliminated upon consolidation

The intra-Group receivables and liabilities, revenues and expenses that arise from intra-Group transactions between Group companies, are eliminated in their entirety when preparing the consolidated accounts.

### FOREIGN CURRENCIES

#### Transactions in foreign currencies

Transactions in foreign currencies are translated to the functional currency at the exchange rate prevailing on the transaction date. The functional currency is the currency in the primary economic environments in which the companies conduct their activities. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate on the reporting date. Exchange-rate differences that arise in the translations are recognized in the profit/loss for the year. Non-monetary assets and liabilities that are recognized at historical cost are translated to the exchange rate on the transaction date. Non-monetary assets and liabilities recognized at fair value are translated to the functional currency at the exchange rate prevailing at the time of the fair value measurement.

#### Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated from the foreign operation's functional currency to the Group's presentation currency, Swedish kronor (SEK), at the exchange rate prevailing on the reporting date. Revenues and expenses in a foreign operation are translated to SEK at an average exchange rate that constitutes an approximation of the exchange rates existing at the respective transaction date. Translation differences that arise in the currency translation of foreign operations are recognized in other comprehensive income and accumulated in a special reserve, called a translation reserve. When a controlling influence, significant influence or joint controlling influence ceases for a foreign operation, the accumulated translation differences attributable to the operation are realised, whereby they are reclassified from the translation reserve in equity to profit/loss for the year.

### Net investment in a foreign operation

Monetary long-term receivables or liabilities attributable to a foreign operation for which settlement is not planned or will not likely occur within the foreseeable future are in practice a part of the company's net investment in the foreign operation. An exchange-rate difference that arises on the monetary long-term receivable or monetary long-term liability is recognized in other comprehensive income and accumulated in a special reserve, called a translation reserve. Upon the divestment of a foreign operation, the accumulated exchange-rate differences attributable to monetary long-term receivables or liabilities are included in the accumulated translation differences that are reclassified from the translation reserve in equity to profit/loss for the year.

### IMPAIRMENT LOSSES

The Group's recognized assets are assessed every balance sheet date to determine if there is an indication of impairment requirements. IAS 36 is applied regarding impairment of assets other than financial assets, which are recognized according to IFRS 9, inventory and deferred tax assets. For exempt assets as per the above, the carrying amount is assessed according to the respective standard.

#### Impairment of property, plant and equipment and intangible assets and participations in associated companies

If there is an indication of impairment requirements, the asset's recoverable amount is calculated (see below). For goodwill, other intangible assets with indefinite useful lives and intangible assets not yet completed for use, the recoverable amount is also calculated annually. If it is not possible to establish significant independent cash flows for an individual asset, and its fair value less costs of disposal cannot be used, the assets are grouped in impairment testing at the lowest level where it is possible to identify significant independent cash flows - a so-called cash-generating unit.

An impairment loss is recognized when an asset's or cash-generating unit's (group of units) carrying amounts exceed the recoverable amount. An impairment loss is recognized as an expense in profit/loss for the year. Once an impairment requirement has been identified for a cash-generating unit (group of units), the impairment loss is primarily allocated to goodwill. Then a proportional impairment loss is applied to the other assets included in the unit (group of units).

The recoverable amount is the higher of fair value less costs of disposal and value in use. In the calculation of the value in use, future cash flows are discounted with a discount factor that takes into account risk-free interest and the risk associated with the specific asset.

#### Impairment of financial assets

At each reporting occasion, the company evaluates if there is objective evidence that a financial asset or group of assets requires impairment. Objective evidence is comprised of observable conditions that have occurred and have a negative impact on the possibility to recover the cost.

The impairment requirements of trade receivable are determined based on historical experience of customer bad debts on similar receivables. Trade receivable with impairment requirements are recognized at the present value of expected future cash flows. Receivables with a short duration are however not discounted.

#### Reversal of impairment losses

An impairment loss on assets that are included in the area of application of IAS 36 is reversed if there is both an indication that the impairment requirement no longer exists and a change has occurred in the assumptions that formed the basis for the calculations of the recoverable amount. An impairment of goodwill is, however, never reversed. A reversal is only applied insofar as the asset's carrying amount after the reversal does not exceed the carrying amount that would have been recognized, less depreciation/amortization where applicable, if no impairment loss had been applied.

Impairment losses on loans and receivables recognized at amortized cost are reversed if the previous reasons for the impairment losses no longer exist and full payment from the customer is expected to be received.

## PROVISIONS

A provision differs from other liabilities in that there is uncertainty about the payment date or the amount to settle the provision. A provision is recognized in the statement of financial position when there is an existing legal or constructive obligation as a result of an event that has occurred, and it is likely that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are made in the amount that is the best estimate of what will be required to settle the existing obligation on the reporting date. Where the effect of when in time payment is made is material, provisions are calculated by discounting the expected future cash flow using an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks associated with the liability.

## NOTE 2 CHANGES IN ACCOUNTING POLICIES

### NEW IFRS THAT HAVE BEEN APPLIED DURING THE FINANCIAL YEAR

IFRS 9 Financial instruments and IFRS 15 Revenue from contract with customers are applied by the Group as of 1 January 2018.

#### IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial instruments replaced IAS 39 as of 1 January 2018. The standard introduced an expected loss model for impairment losses on loans and receivables. The number of classification categories for financial assets were reduced to three: amortized cost, fair value through profit or loss and fair value through other comprehensive income. Fair value changes to financial liabilities which are attributable to the fair value and which arise from changes in own credit risks must be recognized in other comprehensive income. Simplified rules on hedge accounting were introduced. The introduction of IFRS 9 have not had any significant impact on the financial statements.

#### IFRS 15 REVENUE FROM CONTRACT WITH CUSTOMERS

IFRS 15 Revenue from contract with customers has replaced IAS 18, which covers contracts for goods and services, and IAS 11, which covers constructions contracts, as of 1 January 2018. The new standard is based on the principle that revenue is recognized when the company fulfills a performance obligation by transferring goods or services to the customer, meaning that the control has been transferred to the customer. This can take place at a certain point in time or over time. The Group has adopted the standard using the modified retrospective approach which means that the cumulative impact of the adoption is recognized in retained earnings as of 1 January 2018 and that comparatives was not restated. The introduction of IFRS 15 have not had any significant impact on the financial statements.

### NEW IFRS THAT HAVE NOT YET BEGUN TO BE APPLIED

On 1 January 2019, IFRS 16 Leases came into effect.

No new or revised IFRS that enter into effect in future financial years have been applied in advance in preparation of these financial statements.

#### IFRS 16 LEASES

IFRS 16 Leases, replacing IAS 17 Leases, contains principles for leases and is mandatory for financial years commencing on or after 1 January 2019. It will result in almost all leases being recognized in the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term or low-value leases. The analysis of the effects from IFRS 16 is in its final stage. The preliminary analysis shows that the Group has three main types of leasing contracts: premises, machinery and vehicles. The Group has decided to use the simplified approach as transition method, which means that the impact of the adoption is adjusted against the opening balance of retained earnings on

the date of the initial application (that is 1 January 2019). The effect on the financial statements is expected to be SEK 110-125 m on total assets and liabilities respectively, which is judged to be not significant. The effect on the consolidated income statement is expected not to be significant and the effect on net income is expected to be marginal. The analysis of the effect on the Group's financial targets following the implementation of IFRS 16 is not yet finalized, however ROCE is expected to be negatively affected by approximately 1.0-1.2 percentage units, and the Net debt/EBITDA-ratio is expected to increase approximately 0.3-0.4 times.

## NOTE 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

### ASSESSMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS

Preparing the financial statements in accordance with IFRS requires management to make assessments and estimates as well as assumptions that affect the application of the accounting principles and the carrying amounts of assets, liabilities, revenues and expenses. The actual outcome may deviate from these estimates and assessments.

The estimates and assumptions are regularly reviewed. Changes in estimates are recognized in the period the change is made if the change only affects this period, or in the period the change is made and future periods if the change affects both the current period and future periods.

Assessments made by corporate management in the application of IFRS that have a material impact on the financial statements and estimates made that may entail material adjustments in the subsequent year's financial statements are described in more detail in below.

Some assumptions regarding the future and some estimates and assessments at the reporting date are of particular importance to the valuation of the assets and the liabilities in the statement of financial position. The areas where the risk of material value changes in the subsequent year is significant due to the assumptions or estimates having to be changed are discussed below.

#### IMPAIRMENT TESTING OF GOODWILL

The value of recognized goodwill is tested at least once a year with regard to possible impairment requirements. The testing requires an assessment of the value in use of the cash-generating unit, or group of cash-generating units, to which the goodwill is attributable. This requires that several assumptions regarding future conditions and estimates of parameters are made. A description of these are provided in Note 17.

#### OTHER

As described in Note 35, on 31 May 2017, the Danish Competition Council decided that Nordic Waterproofing A/S, Icopal Danmark ApS, Danske Tagpapfabrikanterers Brancheforening and TOR had violated the Danish Competition Act. Nordic Waterproofing A/S and the other parties disputed the Council's decision and brought the case before the Danish Competition Appeals Board. On 12 September 2018, the Appeals Board decided to remit the case to the Council for re-evaluation. The Competition Council has still not decided whether the case will be re-opened or finally closed. Accordingly, at present, it is not possible to predict if the case will be re-opened or, in that case, what the final outcome would be.

The initial decision by the Competition Council has resulted in two civil law proceedings raising claims. However, both proceedings have been suspended to await the Council's decision. There are at present no substantive basis for the claims made. Additionally, it should be noted that Nordic Waterproofing A/S does not consider the claims raised substantiated and justified.

The Group conducts operations in the UK and is monitoring the development surrounding Brexit carefully. The operations in the UK are to a certain extent dependent on imports of goods from Sweden, but combined with the fact that the sales in UK account for less than 2 percent of total sales, the Group estimates that an exit from the EU, in one form or another, will not have a significant direct impact on the Group's earnings.

## NOTE 4 OPERATING SEGMENTS

### ACCOUNTING POLICIES

An operating segment is a part of the Group that conducts operations from which it can generate revenues and incur expenses and for which independent financial information is available. An operating segment's profit or loss is also monitored by the company's highest executive decision-maker to evaluate the profit or loss and to be able to allocate resources to the operating segment.

The Group's operations are divided into operating segments based on what parts of the business the company's highest executive decision-maker follows up, the so-called "management approach". The Group's operations are organised in the manner that Group management follows up the earnings that the Group's various goods and services generate. As Group management follows up the results of operations and decides on the distribution of resources based on the goods and services the Group provides and sells, they constitute the Group's operating segments. At 31 December 2017 and 2018, the highest executive decision-maker followed up the segments' operating profit (EBIT) before items affecting comparability.

The following operating segments have been identified:

- Products & Solutions: includes sales of both own produced and externally sourced products and services associated therewith.
- Installation Services: includes the Group's wholly and partially owned contracting operations.

Directly attributable items and items that can be reasonably and reliably allocated to the segments have been included in the operating segments' profit/loss, assets and liabilities. The items recognized in the operating segments' profit/loss, assets and liabilities are valued in accordance with the profit/loss, assets and liabilities that the company's Group management monitors. The same accounting principles are applied in both internal segment reporting as in the external reporting.

Non-allocated items comprise net finance items and tax expenses. Assets and liabilities that have not been allocated to segments are deferred tax assets and deferred tax liabilities, financial investments and financial liabilities.

Sales between the operating segments have occurred at market-based prices.

2018 SEK m	Products & Solutions	Installation Services	Group items and eliminations	Group
Revenues from external customers	1,927.2	752.5	0.0	2,679.7
Revenues from other segments	95.8	0.0	-95.8	0.0
<b>Revenues, total</b>	<b>2,023.0</b>	<b>752.5</b>	<b>-95.8</b>	<b>2,679.7</b>
<b>EBITDA before items affecting comparability</b>	<b>270.3</b>	<b>47.4</b>	<b>-31.3</b>	<b>286.5</b>
Depreciation & amortization	-54.3	-6.2	-1.9	-62.3
<b>EBIT before items affecting comparability</b>	<b>216.1</b>	<b>41.3</b>	<b>-33.2</b>	<b>224.1</b>
Items affecting comparability	-10.9	0.0	-1.1	-12.0
<b>Operating profit (EBIT)</b>	<b>205.2</b>	<b>41.2</b>	<b>-34.3</b>	<b>212.2</b>
Net finance items				-21.9
<b>Profit after finance items but before tax (EBT)</b>				<b>190.3</b>
Tax				-38.5
<b>Profit for the year</b>				<b>151.8</b>
<b>Assets</b>				
Intangible assets	837.9	127.4	10.1	975.4
Property, plant and equipment	255.7	11.8	0.5	268.1
Participations in associated companies	0.0	55.3	0.0	55.3
Inventory	338.5	7.3	0.0	345.8
Other assets	278.7	106.4	-19.4	365.6
Non-allocated assets			116.8	116.8
<b>Total assets</b>	<b>1,710.9</b>	<b>308.2</b>	<b>107.9</b>	<b>2,127.0</b>
<b>Liabilities and Equity</b>				
Equity			1,105.6	1,105.6
Other liabilities	308.8	79.0	-38.6	349.2
Non-allocated liabilities			672.2	672.2
<b>Total liabilities and equity</b>	<b>308.8</b>	<b>79.0</b>	<b>1,739.2</b>	<b>2,127.0</b>
Investments in property, plant and equipment and other intangible assets	44.5	5.5	5.7	55.7



2017 SEK m	Products & Solutions	Installation Services	Group items and eliminations	Group
Revenues from external customers	1,472.9	713.8	0.0	2,186.8
Revenues from other segments	95.2	0.0	-95.2	0.0
<b>Revenues, total</b>	<b>1,568.1</b>	<b>713.8</b>	<b>-95.2</b>	<b>2,186.8</b>
<b>EBITDA before items affecting comparability</b>	<b>238.6</b>	<b>35.9</b>	<b>-26.5</b>	<b>248.0</b>
Depreciation & amortization	-33.3	-5.2	-1.9	-40.3
<b>EBIT before items affecting comparability</b>	<b>205.3</b>	<b>30.7</b>	<b>-28.4</b>	<b>207.6</b>
Items affecting comparability	-9.4	-3.9	-0.7	-14.0
<b>Operating profit (EBIT)</b>	<b>195.9</b>	<b>26.8</b>	<b>-29.0</b>	<b>193.7</b>
Net finance items				-19.5
<b>Profit after finance items but before tax (EBT)</b>				<b>174.2</b>
Tax				-36.6
<b>Profit for the year</b>				<b>137.6</b>
<b>Assets</b>				
Intangible assets	674.1	122.5	0.0	796.6
Property, plant and equipment	199.4	9.4	1.0	209.8
Participations in associated companies	0.0	30.7	0.0	30.7
Inventory	254.3	5.2	0.0	259.6
Other assets	204.6	117.9	-29.5	293.0
Non-allocated assets			166.5	166.5
<b>Total assets</b>	<b>1,332.4</b>	<b>285.7</b>	<b>138.0</b>	<b>1,756.1</b>
<b>Liabilities and Equity</b>				
Equity			1,009.8	1,009.8
Other liabilities	254.3	74.0	-41.4	286.9
Non-allocated liabilities			459.4	459.4
<b>Total liabilities and equity</b>	<b>254.3</b>	<b>74.0</b>	<b>1,427.8</b>	<b>1,756.1</b>
Investments in property, plant and equipment and other intangible assets	19.2	3.1	0.9	23.2

#### ITEMS AFFECTING COMPARABILITY

Items affecting comparability include income statement items that are non-recurring, has significant impact on profit and is important for understanding the underlying development of operations.

SEK m	2018	2017
Acquisition-related costs	-9.0	-9.9
Other	-3.0	-4.1
<b>Total</b>	<b>-12.0</b>	<b>-14.0</b>

## NOTE 5 SIGNIFICANT TYPES OF INCOME

### ACCOUNTING POLICIES

#### Sale of goods

Sale of goods is considered as a performance obligation and the revenue is recognized when the performance obligation is fulfilled and the customer takes control of the product, i.e. at a certain point in time (usually in connection with the physical delivery to the customer). Revenue is measured at the fair value of consideration received, or expected to be received, less discounts provided.

The goods are often sold with volume discounts based on accumulated sales over a predefined period, together with cash discounts. A liability is reported for expected volume discounts.

#### Construction contracts

Revenues from construction contracts exist in both operating segments and are recognized in profit/loss for the year based on the stage of completion on the reporting date, i.e. over time. The stage of completion is determined on the basis of contract expenditures incurred relative to the total estimated expenditures, as this best reflects the value creation of the work performed. Expenses comprise expenses directly and indirectly attributable to the construction work. When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract expenses incurred and subject to recoverability being probable. If the contract expenses are expected to exceed contract revenue, the expected loss is recognized immediately.

If revenue from a construction contract exceeds the invoicing, a receivable for on-going construction contracts is recognized. If the invoicing exceeds the delivered services, a payable for ongoing construction contracts is recognized. See Note 22.

Significant types of income SEK m	2018	2017
Sale of goods	1,592.4	1,381.5
Construction contracts	1,087.3	805.3
<b>Total</b>	<b>2,679.7</b>	<b>2,186.8</b>

Time of revenue recognition SEK m	2018	2017
At a certain point in time	1,592.4	1,381.5
Over time	1,087.3	805.3
<b>Total</b>	<b>2,679.7</b>	<b>2,186.8</b>

### GEOGRAPHIC AREAS

Revenues from external customers SEK m	2018	2017
Denmark	707.9	493.0
Sweden	440.8	348.1
Norway	303.7	193.4
Finland	856.0	810.0
Europe (excluding Nordic region)	366.4	333.5
Other countries	4.9	8.8
<b>Total</b>	<b>2,679.7</b>	<b>2,186.8</b>

Non-current assets SEK m	2018	2017
Denmark	367.0	326.6
Sweden	514.8	367.6
Norway	62.2	27.8
Finland	258.6	244.2
Europe (excluding Nordic region)	40.9	40.2
<b>Total</b>	<b>1,243.5</b>	<b>1,006.4</b>

Revenues from external customers have been attributed to individual countries according to the country the customer is domiciled in. Non-current assets have been allocated to individual countries according to the owning company's domicile.

### INFORMATION ON MAJOR CUSTOMERS

No single customer accounted for more than 10 percent of consolidated sales. A maximum of approximately 2.8 percent of consolidated sales were attributable to a single customer.

## NOTE 6 OPERATING COSTS BY NATURE

SEK m	2018	2017
Material costs and goods for resale	1,330.2	1,095.6
Change in inventory of finished goods and work in progress	-65.5	-72.8
Employee benefits	621.7	511.3
Depreciation & amortization	62.3	38.8
Other external costs	541.4	439.1
Other operating expenses	4.5	2.5
<b>Total</b>	<b>2,494.6</b>	<b>2,014.5</b>

## NOTE 7 EMPLOYEES AND PERSONNEL EXPENSES

### ACCOUNTING POLICIES

#### Remuneration of employees

##### Short-term employee benefits

Short-term employee benefits are calculated without discounting and recognized as an expense when the related services are received.

A liability is recognized for the anticipated cost for profit-sharing and bonus payments when the Group has a current legal or constructive obligation to make such payments as a result of services being received from employees and the obligation can be reliably calculated.

##### Benefits upon termination

An expense for benefits in connection with the terminations of personnel is recognized at the earliest time of when the company can no longer withdraw the offer to the employees or when the company recognizes expenses for restructuring. The benefits that are estimated to be settled after 12 months are recognized at their present value. Benefits that are not expected to be fully settled within 12 months are recognized according to long-term employee benefits.

Expenses for employee benefits SEK m	2018	2017
Salaries and benefits, etc.	509.7	417.9
Pension expenses, defined-contribution plans	18.8	15.3
Social security contributions	93.2	78.1
	<b>621.7</b>	<b>511.3</b>

Average number of employees FTE (Full Time Equivalents)	2018	of which men	2017	of which men
<b>Parent Company</b>				
Denmark	1	100%	1	100%
<b>Total in Parent Company</b>	<b>1</b>	<b>100%</b>	<b>1</b>	<b>100%</b>
<b>Subsidiaries</b>				
Denmark	256	84%	141	80%
Sweden	145	75%	125	80%
Norway	71	88%	22	73%
Finland	467	93%	465	93%
Other	93	86%	75	82%
<b>Total in subsidiaries</b>	<b>1,032</b>	<b>87%</b>	<b>829</b>	<b>87%</b>
<b>Group total</b>	<b>1,033</b>	<b>87%</b>	<b>830</b>	<b>87%</b>

FTE is defined as average number of employees after re-calculation to full-time equivalents.

#### SALARIES AND OTHER BENEFITS, PENSION EXPENSES AND PENSION OBLIGATIONS FOR KEY MANAGEMENT IN THE GROUP

SEK m	2018	2017
<b>Remuneration to the Board and CEO of Nordic Waterproofing Holding A/S:</b>		
Remuneration of Board members	2.1	2.1
Salaries and benefits to CEO	8.2	7.5
	<b>10.3</b>	<b>9.6</b>
<b>Remuneration to Group management in Nordic Waterproofing Group 1 AB with subsidiaries:</b>		
Salaries and benefits	19.4	16.3
Pension expenses, defined-contribution plans	2.2	2.5
	<b>21.6</b>	<b>18.9</b>
<b>Total remuneration to the Board, CEO and Group management team in the Group</b>	<b>31.9</b>	<b>28.5</b>

2018	Fixed salary	Variable salary	Pension	Other benefits	Total
Chairman of the board: Ulf Gundemark	0.5	-	-	-	0.5
Boardmember: Jørgen Jensen	0.4	-	-	-	0.4
Boardmember: Christian Frigast	0.1	-	-	-	0.1
Boardmember: Allan Jørgensen	0.2	-	-	-	0.2
Boardmember: Riitta Palomäki	0.3	-	-	-	0.3
Boardmember: Mats O. Paulsson	0.3	-	-	-	0.3
Boardmember: Kristina Willgård	0.3	-	-	-	0.3
President and CEO: Martin Ellis	5.1	3.1	-	-	8.2
Other senior executives (8 persons)	13.5	4.7	2.2	1.2	21.6
<b>Total</b>	<b>20.7</b>	<b>7.8</b>	<b>2.2</b>	<b>1.2</b>	<b>31.9</b>

2017	Fixed salary	Variable salary	Pension	Other benefits	Total
Chairman of the board: Ulf Gundemark	0.5	-	-	-	0.5
Boardmember: Holger C. Hansen	0.1	-	-	-	0.1
Boardmember: Christian Frigast	0.3	-	-	-	0.3
Boardmember: Vilhelm Sundström	0.1	-	-	-	0.1
Boardmember: Jørgen Jensen	0.4	-	-	-	0.4
Boardmember: Riitta Palomäki	0.3	-	-	-	0.3
Boardmember: Mats O. Paulsson	0.2	-	-	-	0.2
Boardmember: Kristina Willgård	0.2	-	-	-	0.2
President and CEO: Martin Ellis	5.0	2.5	-	-	7.5
Other senior executives (7 persons)	11.5	3.8	2.5	1.1	18.9
<b>Total</b>	<b>18.5</b>	<b>6.3</b>	<b>2.5</b>	<b>1.1</b>	<b>28.5</b>

#### PRINCIPLES FOR REMUNERATION OF THE BOARD

The Chairman of the Board receives a fixed fee of SEK 500 thousand per year, and the remaining Board members receives SEK 275 thousand per year. Audit committee members receives an additional SEK 50 thousand.

#### PRINCIPLES FOR THE REMUNERATION OF THE PRESIDENT AND CEO Remuneration

Remuneration of the CEO is decided by the Board. The amount of the remuneration shall be market based and based on factors such as expertise, experience and performance. The remuneration consists of fixed salary and, in addition to this, variable salary and non-monetary benefits. The variable salary shall be based on the achievement of quantitative and qualitative targets. Remuneration of the President and CEO amounted in 2018 to SEK 8.2 m (7.5).

#### Periods of notice and severance pay

Upon termination of the CEO by the company, a period of notice of 24 months applies. If the CEO resigns, a period of notice of 12 months applies instead.

#### Pension benefits

The employment contract for the CEO ends without prior cancellation at the time of the CEO's retirement. No pension premiums for the CEO have been reserved, but rather are taken into account in the determination of the fixed remuneration.

#### PRINCIPLES FOR REMUNERATION OF OTHER MEMBERS OF GROUP MANAGEMENT Remuneration

Remuneration is decided by the CEO with assistance from the Board. The level of remuneration for the individual executive shall be based on factors such as position, expertise, experience and performance. Remuneration consists of fixed salary and pension and shall also be able to consist of variable salary and non-monetary benefits. The variable salary shall be based on the achievement of qualitative and quantitative targets.

#### Periods of notice and severance pay

Other members of Group management team have a 12-month period of notice upon termination by the company and a 6-month period of notice upon resignation.

#### Pension benefits

Other members of Group management team have the right to retire at the age of 67, and are entitled to pension benefits in accordance with the company's pension policy.

#### INCENTIVE PROGRAMS

The 2017 and 2018 Annual General Meeting resolved to authorize the Board of Directors to establish a Long-Term Incentive Program ("LTIP 2017" and "LTIP 2018") offered to the CEO and other senior executives of the Group. The participants shall be allotted, free-of-charge, performance share rights entitling them to allocations of shares in the Company. Performance shares may be granted to the individual participant when targets have been met over a period of three years. The target is measured each year and the outcome is set after three years. Performance shares may only be granted to the individual participant if the participant is still employed by the Company and has not given, or been served, notice during the three-year vesting period. Targets for the participants are based on annual growth of operating profit before items affecting comparability, interest and taxes ("EBIT growth").

The total cost, including social security charges, is estimated to be at most SEK 9 m for each program under the assumption of an average annual growth of operating profit (EBIT) before items affecting comparability of 12 percent. No new shares will be issued in the Company due to the programs. However, the Company will acquire treasury shares in order to secure the provision of shares under LTIP 2017 and LTIP 2018 and to secure and cover social security charges. The costs for the programs are expected to have a marginal effect on Nordic Waterproofing Group's key ratios. For 2018, the Group's earnings were charged with SEK 3.0 m (0.0) and 11,610 (0) treasury shares were acquired as of 31 December 2018. The maximum number of shares that can be granted under the LTIP 2017 and LTIP 2018 are 98,843 and 140,731 respectively.

## NOTE 8 PENSIONS

### ACCOUNTING POLICIES

#### Defined contribution plans

The pension plans where the company's obligations are limited to the contributions the company has committed to pay are classified as defined contribution plans. In such cases, the size of the employee's pension depends on the contributions the company pays to the plan or to an insurance company and the capital returns that the contributions provide. Consequently, it is the employee that bears the actuarial risk (that the compensation is less than expected) and the investment risk (that the invested assets will be inadequate to provide the anticipated compensation). The company's commitments in respect of contributions to defined contribution plans are recognized as an expense in profit/loss for the year as they are earned by the employees performing services for the company during a period. The Group only has defined contribution pensions.

Commitments for retirement pensions and family pensions for white-collar employees in Sweden are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, this is a defined-benefit plan that comprises multiple employers. For the 2018 financial year, the company has not had access to information that makes it possible to recognize this plan as a defined-benefit plan. The pension plan according to ITP is secured through insurance in Alecta and is therefore recognized as a defined-contribution plan. The year's fees for pension insurance taken out in Alecta amount to SEK 6.4 m (6.1). Alecta's surplus can be distributed to the policyholders and/or the beneficiaries. At the end of 2018, Alecta's surplus in the form of the collective solvency level amounted to 159 percent (154). The collective solvency level is comprised of the market value of Alecta's assets as a percentage of the insurance commitments calculated according to Alecta's actuarial assumptions, which is not in accordance with IAS 19.

### DEFINED-CONTRIBUTION PLANS

In Sweden, the Group has defined-contribution pension plans for workers that are entirely paid by the companies. Outside Sweden, there are defined-contribution plans that are partially paid for by the subsidiaries and partially covered through fees that the employees pay. Payment to these plans takes place on a running basis in accordance with the rules of the respective plan.

#### Expenses for defined-contribution plan<sup>1)</sup>

SEK m	2018	2017
	18.8	15.3

<sup>1)</sup> This includes SEK 6.4 m (6.1) for ITP plans financed in Alecta, see above.

Next year's expected contributions to defined-benefits plans covered by several employers, but recognized as if the plan was a defined-contribution plan amount to approximately SEK 6.4 m.

## NOTE 9 OTHER OPERATING INCOME AND EXPENSES

### ACCOUNTING POLICIES

Royalty included in other operating income is related to sales to associated companies for using brands and concepts. Royalty income is recognized in profit/loss for the year at the time the associated companies recognize the sales to their customers.

Other operating income SEK m	2018	2017
Royalty	5.1	4.6
Capital gains	0.4	0.0
Exchange gains on operating receivables/ liabilities	1.8	1.7
<b>Total</b>	<b>7.3</b>	<b>6.3</b>

Other operating expenses SEK m	2018	2017
Exchange losses on operating receivables/ liabilities	-3.9	-2.0
Other	-0.6	-0.5
<b>Total</b>	<b>-4.5</b>	<b>-2.5</b>

## NOTE 10 FINANCIAL INCOME AND EXPENSES

### ACCOUNTING POLICIES

Financial income consists of interest income on invested funds, dividend income, gains on the disposal of financial assets available for sale, gains upon a change in value of financial assets valued at fair value through profit or loss and such gains on hedging instruments that are recognized in profit/loss for the year. Dividend income is recognized when the right to receive a dividend has been established. The results from the disposal of a financial instrument are recognized when the risks and benefits associated with ownership of the instrument have been transferred to the buyer and the Group no longer has control over the instrument.

Financial expenses consist of interest expenses on loans, losses upon a value change in financial assets valued at fair value through profit or loss, impairment of financial assets and such losses on hedging instruments that are recognized in profit/loss for the year. Exchange-rate gains and losses are recognized net in operating profit if they are attributable to operating-related items or in net finance items if they are attributable to finance items.

SEK m	2018	2017
Interest income	0.8	0.2
Other financial income	0.2	0.0
<b>Financial income</b>	<b>1.0</b>	<b>0.2</b>
Interest expenses on loans at amortized cost	-11.7	-8.5
Fair value adjustment put options	-7.1	-5.7
Net exchange-rate changes	-0.8	-2.7
Other financial expenses	-3.3	-2.8
<b>Financial expenses</b>	<b>-22.9</b>	<b>-19.7</b>
<b>Net finance items</b>	<b>-21.9</b>	<b>-19.5</b>

All interest income and expenses are attributable to items valued at amortized cost.

Interest expenses include period-allocated arrangement fee for liabilities to credit institutions in an amount of SEK 1.1 m (0.8).

## NOTE 11 TAXES

### ACCOUNTING POLICIES

Income taxes comprise current tax and deferred tax. Income taxes are recognized in profit/loss for the year except when underlying transactions have been recognized in other comprehensive income or in equity whereby the associated tax effect is recognized in other comprehensive income or in equity. Current tax is tax that shall be paid or received with regard to the current year, with the application of the tax rates that are enacted or practically enacted at the balance sheet date. Current tax also includes adjustments of current tax attributable to earlier periods. Deferred tax is calculated using the balance sheet method based on temporary differences between carrying amounts and amounts for tax purposes of assets and liabilities. The valuation of deferred tax is based on how underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated with the application of the tax rates and tax regulations that are enacted or practically enacted at the reporting date.

Deferred tax assets concerning deductible temporary differences and tax-loss carry-forwards are only recognized insofar as it is likely that they will be able to be utilized.

Potentially additional income tax that arises upon dividends is recognized at the same time as when the dividend is recognized as a liability.

### RECOGNIZED IN THE STATEMENT OF PROFIT OR LOSS

SEK m	2018	2017
<b>Current tax expense (-)/tax revenue (+)</b>		
Tax expense for the period	-38.4	-34.0
Adjustment of tax attributable to earlier years	0.0	0.0
	<b>-38.4</b>	<b>-34.0</b>
<b>Deferred tax expense (-)/tax revenue (+)</b>		
Deferred tax for temporary differences	-0.1	-2.5
Deferred tax resulting from changes in tax rates	0.0	0.0
	<b>0.0</b>	<b>-2.5</b>
<b>Total reported tax expense in the Group</b>	<b>-38.5</b>	<b>-36.6</b>

Reconciliation of effective tax SEK m	2018	%	2017	%
<b>Profit/loss before tax</b>	<b>190.3</b>		<b>174.2</b>	
Tax according to current tax rate for the Parent Company	-41.9	22.0	-38.3	22.0
Effect of other tax rates for foreign subsidiaries	-1.3	0.7	-0.3	0.2
Non-deductible expenses	-1.7	0.9	-1.8	1.0
Non-taxable revenues	1.0	-0.5	0.1	0.0
Result from participations in associated companies	4.2	-2.2	3.6	-2.1
Increase in loss carry-forwards without corresponding capitalization of deferred tax	-0.6	0.3	-1.0	0.6
Utilisation of earlier, non-capitalized loss carry-forwards	4.2	-2.2	0.3	-0.2
Effect of changed tax rates/and tax regulations	-0.1	0.0	0.0	0.0
Other	-2.3	1.2	0.8	-0.5
<b>Reported effective tax</b>	<b>-38.5</b>	<b>20.2</b>	<b>-36.6</b>	<b>21.0</b>

## RECOGNIZED IN THE BALANCE SHEET

### DEFERRED TAX ASSETS AND LIABILITIES

#### Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are primarily long term and pertain to the following:

SEK m	Deferred tax 2018		
	Asset	Liability	Net
Property, plant and equipment	1.0	19.3	-18.3
Intangible assets	0.5	10.4	-9.9
Inventory	2.1	0.6	1.5
Other current assets	0.0	10.7	-10.7
Untaxed reserves	0.0	37.4	-37.4
Loss carry-forwards	0.0	0.0	0.0
Other	0.5	0.9	-0.4
<b>Tax assets/liabilities</b>	<b>4.1</b>	<b>79.3</b>	<b>-75.2</b>
Offset	-4.1	-4.1	0.0
<b>Tax assets/liabilities, net</b>	<b>0.0</b>	<b>75.2</b>	<b>-75.2</b>

SEK m	Deferred tax 2017		
	Asset	Liability	Net
Property, plant and equipment	0.1	17.4	-17.3
Intangible assets	0.2	6.5	-6.3
Inventory	1.8	0.4	1.4
Other current assets	0.0	7.0	-7.0
Untaxed reserves	0.0	26.9	-26.9
Loss carry-forwards	2.8	0.0	2.8
Other	0.8	0.1	0.7
<b>Tax assets/liabilities</b>	<b>5.7</b>	<b>58.3</b>	<b>-52.6</b>
Offset	-5.7	-5.7	0.0
<b>Tax assets/liabilities, net</b>	<b>0.0</b>	<b>52.6</b>	<b>-52.6</b>

#### Non-recognized deferred tax assets

Total unrecognized deferred tax assets amount to SEK 8.1 m (12.6), hereof tax loss carry-forwards for which deferred tax assets have not been recognized in the income statement and balance sheet amount to SEK 8.1 m (12.6), of which SEK 5.7 m expires within 1-5 years and the remaining after 5 years.

## CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND LOSS CARRY-FORWARDS

SEK m	Balance as per 1 Jan 2018	Recognized in profit/loss for the year	Recognized in other comprehensive income	Acquisition/Divestment of business	Balance as per 31 Dec 2018
Property, plant and equipment	-17.3	-1.0	-	-	-18.3
Intangible assets	-6.3	2.8	-	-6.4	-9.9
Inventory	1.4	0.1	-	-	1.5
Other current assets	-7.0	0.3	-0.7	-3.3	-10.7
Other current liabilities	0.0	-	-	-	0.0
Untaxed reserves	-26.9	-3.0	-	-7.5	-37.4
Loss carry-forwards	2.8	-2.8	-	-	0.0
Other	0.7	-1.1	-	-	-0.4
	<b>-52.6</b>	<b>-4.7</b>	<b>-0.7</b>	<b>-17.2</b>	<b>-75.2</b>

SEK m	Balance as per 1 Jan 2017	Recognized in profit/loss for the year	Recognized in other comprehensive income	Acquisition/Divestment of business	Balance as per 31 Dec 2017
Property, plant and equipment	-12.1	0.3	-	-5.5	-17.3
Intangible assets	-1.4	2.4	-	-7.3	-6.3
Inventory	0.5	0.9	-	-	1.4
Other current assets	0.0	-1.8	-	-5.2	-7.0
Other current liabilities	-4.8	-	4.8	-	0.0
Untaxed reserves	-22.4	-4.5	-	-	-26.9
Loss carry-forwards	0.0	-0.4	-	3.2	2.8
Other	-0.2	0.6	-	0.1	0.7
	<b>-40.3</b>	<b>-2.5</b>	<b>4.8</b>	<b>-14.7</b>	<b>-52.6</b>

## NOTE 12 PARTICIPATIONS IN ASSOCIATED COMPANIES

### ACCOUNTING POLICIES

#### Associated companies

Associated companies are companies over which the Group has a significant, but not a controlling influence over the operational and financial governance, usually through an interest of between 20 and 50% of the number of votes. The vast majority of the associated companies in the Group are customers to the Danish subsidiaries, and also franchisees where they have access to the concepts and brands Phønix Tag and Hetag Tagdækning.

As of the date that significant influence is obtained, participations in associated companies are recognized according to the equity method in the consolidated accounts. The equity method means that the value of the shares recognized in the Group corresponds to the Group's share of the associated companies' equity and consolidated goodwill and other potential remaining value of consolidated surpluses and deficits. In the consolidated profit/loss for the year,

the Group's share of the associated companies' profit or loss adjusted for any depreciation, amortization, impairment losses and reversals of acquired surpluses or deficits is recognized in "Share of profit in associated companies". These shares in profit less dividends received from the associated companies comprise the main change in the carrying amount of participations in associated companies.

Any difference in the acquisition between the cost of the holding and the owner company's share of the fair value of the associated company's identifiable assets and liabilities is recognized according to the same policies as in the acquisition of subsidiaries.

Transaction costs that arise are included in the cost.

When the Group's share of recognized losses in the associated company exceeds the carrying amount of the participations in the Group, the value of the participations is reduced to zero. The equity method is applied until the date that significant influence ends.

The Group has assessed that no significant holdings in any individual associated company exist. Specified below, a summary of financial information for non-significant holdings in associated companies are shown, based on the amounts included in the consolidated financial statements.

SEK m	2018	2017
Carrying amount at beginning of the year	30.7	19.5
Acquisitions of associated companies	20.1	6.6
Divestment of associated companies	-3.8	-0.2
Dividend for the year	-12.6	-10.8
Share of profit in associated companies	19.8	15.1
Reclassification	0.0	0.0
Reversed impairment losses	0.0	0.0
Translation difference for the year	1.1	0.4
<b>Carrying amount at the end of the year</b>	<b>55.3</b>	<b>30.7</b>
Share of profit in associated companies	19.8	15.1
Other comprehensive income	0.0	0.0
<b>Total comprehensive income</b>	<b>19.8</b>	<b>15.1</b>

### SPECIFICATION OF HOLDINGS OF PARTICIPATIONS IN ASSOCIATED COMPANIES

Associated companies	Domicile	2018		2017	
		Voting and capital share in %		Voting and capital share in %	
Takkonsulten i Helsingborg AB	Helsingborg, Sweden	25%	25%	25%	25%
AB Tätskiktsgarantier i Norden	Sundsvall, Sweden	50%	50%	50%	50%
Hetag Byens Tag A/S	Faaborg-Midtfyn, Danmark	40%	0%	40%	0%
Hetag JK Tagentreprise ApS	Herlev, Danmark	40%	40%	40%	40%
Hetag Nordjysk Tag ApS	Brønderslev-Dronninglund, Danmark	70%	40%	70%	40%
Hetag Tagdækning Nord A/S	Århus, Danmark	40%	40%	40%	40%
Hetag Tagdækning Syd A/S	Hedensted, Danmark	40%	40%	40%	40%
Nordisk Tagdækning A/S	Roskilde, Danmark	40%	40%	40%	40%
Phønix Tag Energi A/S	Favrskov, Danmark	40%	40%	40%	40%
Phønix Tag Esbjerg A/S	Esbjerg, Danmark	40%	40%	40%	40%
Phønix Tag Fyn A/S	Faaborg-Midtfyn, Danmark	40%	40%	40%	40%
Phønix Tag Grønland ApS	Esbjerg, Danmark	40%	40%	40%	40%
Phønix Tag Holbæk-Næstved A/S	Næstved, Danmark	40%	40%	40%	40%
Phønix Tag København A/S	Ishøj, Danmark	40%	40%	40%	40%
Phønix Tag Nordjylland A/S	Ålborg, Danmark	40%	40%	40%	40%
Phønix Tag Nordsjælland A/S	Fredensborg, Danmark	40%	40%	40%	40%
Phønix Tag Storentreprise ApS	Hedensted, Danmark	40%	40%	40%	40%
Phønix Tag Sønderjylland A/S	Aabenraa, Danmark	40%	40%	40%	40%
Phønix Tag Vejle A/S	Hedensted, Danmark	40%	40%	40%	40%
Phønix Tag Århus A/S	Favrskov, Danmark	40%	40%	40%	40%
Garantiselskabet Dansk Tagdækning A/S	Rudersdal, Danmark	50%	50%	50%	50%

## NOTE 13 GROUP COMPANIES AND SUBSIDIARIES

### ACCOUNTING POLICIES

#### Subsidiaries

Subsidiaries are companies that stand under a controlling influence from the Parent Company. A controlling influence exists if the Parent Company has influence over the investment object, is exposed to or has the right to variable returns from its engagement and can use its influence over the investment to affect the returns. In the assessment as to whether a controlling influence exists, potential shares that entitle the holder to votes are taken into account as well as whether de facto control exists.

The financial statements of subsidiaries are included in the consolidated accounts as of the acquisition date until the date that the controlling influence ends. If the subsidiary's accounting policies do not correspond with the Group's accounting policies, adaptation have been made to conform to the Group's accounting policies. Losses attributable to non-controlling interests are also distributed if non-controlling interests will be negative.

When acquiring less than 100 percent of the equity interests of a subsidiary, the Group may enter into arrangements under which Nordic Waterproofing has an obligation to acquire the minority shareholders' shares at a predetermined price at a future point in time (put options). Further, Nordic Waterproofing may have the right to acquire the shares (call options) on similar terms. Such arrangements are generally treated as if the option had been exercised resulting in accounting for purchase of 100 percent of the equity interest. The put option liability is treated as contingent consideration and measured at fair value with changes in fair value recognised in financial items.

#### Business combinations conducted after the transition to IFRS

Subsidiaries are reported using the acquisition method. This means that the acquisition of a subsidiary is viewed as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities at fair value. In the acquisition analysis, the fair value is determined on the acquisition date of the acquired identifiable assets and assumed liabilities, as well as any non-controlling interests. Transaction costs that arise are recognized directly in profit/loss for the year.

In business combinations where transferred consideration exceed the fair value of acquired assets and assumed liabilities, the difference is reported as goodwill. When the difference is negative, the negative goodwill is recognized directly in the profit/loss for the year.

Contingent considerations are recognized at fair value at the acquisition date. Contingent considerations are revalued at every reporting date and the change is recognized in the profit/loss for the year.

In step acquisitions, goodwill is determined on the date that a controlling influence arises. Earlier holdings are valued at fair value and changes in value are recognized in profit/loss for the year.

#### Business combinations made before 1 January 2012 (date for the transition to IFRS)

For acquisitions that took place before 1 January 2012 goodwill has, after impairment testing, been recognized at a cost that corresponds to the carrying amount according to previously applied accounting policies. The classification and the accounting handling of business combinations that occurred before 1 January 2012 have not been reviewed according to IFRS 3 in the preparation of the Group's opening balance under IFRS at 1 January 2012.



## HOLDINGS IN SUBSIDIARIES

The Group consists of 38 subsidiaries.

These subsidiaries are owned through a majority of the votes in the respective subsidiary.

Subsidiary (domicile, country)	2018	2017
	Voting and capital share in %	Voting and capital share in %
Nordic Waterproofing Group 1 AB (Stockholm, Sweden)	100%	100%
Nordic Waterproofing Group AB (Stockholm, Sweden)	100%	100%
Nordic Takvård AB (Helsingborg, Sweden)	100%	0%
Nordic Waterproofing Holding DK ApS (Vejen, Denmark)	100%	100%
Hetag Tagmaterier A/S (Hedensted, Denmark)	100%	100%
Nordic Waterproofing A/S (Vejen, Denmark)	100%	100%
Hetag Tagdækning Vest A/S (Hedensted, Denmark)	100%	100%
Tagselskabet af 1 maj 2014 A/S i likv. (Hedensted, Denmark)	100%	100%
Hetag Tagdækning Sjælland A/S (dormant) (Vejen, Denmark)	100%	100%
Hetag Tagdækning Vest A/S (Vejen, Denmark)	100%	100%
Taasinge Elementer A/S (Hampen, Denmark)	89%	80%
LV Elements SIA (Riga, Latvia)	100%	100%
Nordic Build A/S (Svendborg, Denmark)	100%	100%
Ringsaker Vegg- og Takelementer AS (Brumunddal, Norway)	75%	0%
Nordic Waterproofing AB (Trelleborg, Sweden)	100%	100%
Nordic Waterproofing AS (Askim, Norway)	100%	100%
Nordic Waterproofing Oy (Helsinki, Finland)	100%	100%
AL-Katot Oy (Helsinki, Finland)	100%	100%
KerabitPro Oy (Helsinki, Finland)	100%	100%
LA Kattohuolto Oy (Muurame, Finland)	100%	100%
Nordic Waterproofing Property Oy (Helsinki, Finland)	100%	100%
SPT-Painting Oy (Helsinki, Finland)	100%	100%
Nordic Waterproofing SpZoo (Lodz, Poland)	100%	100%
SealEco AB (Värnamo, Sweden)	100%	100%
SealEco BV (Lemelerveld, Netherlands)	67%	67%
SealEco AG (Herzogenbuchsee, Switzerland)	51%	51%
SealEco Su Yalitim Teknolojileri A.Ş. (Nilüfer, Turkey)	100%	100%
SealEco GmbH (Marsberg, Germany)	100%	100%
SealEco Holding Belgium NV (Brecht, Belgium)	100%	100%
SealEco Belgium NV (Brecht, Belgium)	100%	100%
SealEco Ltd (London, United Kingdom)	100%	100%
SealEco Contracts Ltd (London, United Kingdom)	100%	100%
SealEco NV (Brecht, Belgium)	100%	100%
Veg Tech AB (Vislanda, Sweden)	100%	0%
Blomstertak AS (Ås, Norway)	60%	0%
Nordiska Gröntak AB (Alvesta, Sweden)	100%	0%
Veg Tech A/S (Copenhagen, Denmark)	100%	0%
Veg Tech Oy (Kyrkslätt, Finland)	100%	0%

## NOTE 14 ACQUISITIONS

**On 4 January 2018**, the acquisition of a production plant in Denmark for prefabricated roofing and façade elements, by means of an acquisition of assets, from Ugilt Savværk was finalized. The production plant was acquired by Nordic Waterproofing Holding A/S's subsidiary Taasinge Elementer A/S. The purchase consideration was SEK 23 m and it was financed through Nordic Waterproofing's available cash and bank balances. Goodwill includes the value of market knowledge and synergies from the transaction. No portion of the goodwill is expected to be tax deductible. Acquisition-related costs amounted to SEK 1 m in the form of consulting fees in connection with the acquisition process. These consulting expenses have been recognized as administrative expenses in the consolidated statement of profit or loss and other comprehensive income, and are excluded from operating result (EBIT) before items affecting comparability of the Nordic Waterproofing Group.

The acquired business contributed net sales of SEK 20 m and net profit of SEK 1 m to the Group for the period from 4 January to 31 December 2018.

**On 1 March 2018**, 75 percent of the shares in the Norwegian Ringsaker Vegg- og Takelementer AS ("RVT") were acquired by Nordic Waterproofing Holding A/S's subsidiary Taasinge Elementer A/S for SEK 38 m on a cash and debt free basis. Nordic Waterproofing has a call option and the minority shareholder has a put option of the remaining 25 percent of the shares. The option gives Taasinge Elementer A/S the right to buy the shares after 1 January 2024, and the minority shareholder the right to sell the shares after 1 March 2024. For accounting purposes, the combined call and put option has been classified as a financial liability but since the combined call and put option is not equal, a non-controlling interest has been recognized as well. Intangible assets include the value of the order book at the date of the acquisition amounting to approximately SEK 5 m, which will be amortized, and thus affecting operating profit (EBIT) during approximately one year following the acquisition. Goodwill includes the value of market knowledge and synergies from the transaction. No portion of the goodwill is expected to be tax deductible. Acquisition-related costs amounted to SEK 2 m in the form of consulting fees in connection with the acquisition process. These consulting expenses have been recognized as administrative expenses in the consolidated statement of profit or loss and other comprehensive income, and are excluded from operating result (EBIT) before items affecting comparability of the Nordic Waterproofing Group.

The acquired business contributed net sales of SEK 93 m and net profit of SEK -2 m to the Group for the period from 1 March to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated

proforma net sales and profit for the year ended 31 December 2018 would have been SEK 2,706 m and SEK 155 m. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in accounting policies between the Group and the subsidiary, and
- the additional amortization that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 January 2018, together with consequential tax effects.

**On 5 July 2018**, Nordic Waterproofing Holding A/S's subsidiary Nordic Waterproofing Group AB completed the acquisition of Veg Tech AB. Nordic Waterproofing initially acquired 83 percent of the shares for SEK 129 per share, corresponding to a consideration of SEK 153 m. The total consideration has been paid in cash, and the acquisition was financed by a new bank loan through an extension of Nordic Waterproofing's current credit facilities and the revolving facility. Furthermore, Nordic Waterproofing submitted an offer to acquire the remaining shares for the same price per share as the main acquisition. As per 31 December, all remaining shares have been acquired corresponding to a consideration of SEK 30 m and Nordic Waterproofing's ownership is 100 percent. Intangible assets include the value of existing customer relationships at the date of the acquisition amounting to approximately SEK 32 m, which will be amortized, and thus affecting operating profit (EBIT) during approximately five years following the acquisition. Goodwill includes the value of market knowledge and synergies from the transaction. No portion of the goodwill is expected to be tax deductible. Acquisition-related costs amounted to SEK 2 m in the form of consulting fees in connection with the acquisition process. These consulting expenses have been recognized as administrative expenses in the consolidated statement of profit or loss and other comprehensive income, and are excluded from operating result (EBIT) before items affecting comparability of the Nordic Waterproofing Group.

The acquired business contributed net sales of SEK 78 m and net profit of SEK 7 m to the Group for the period from 5 July to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated proforma net sales and profit for the year ended 31 December 2018 would have been SEK 2,734 m and SEK 153 m. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in accounting policies between the Group and the subsidiary, and
- the additional amortization that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 January 2018, together with consequential tax effects.

Purchase consideration, SEK m	Jan 2018 Ugilt Savværk	Mar 2018 RVT AS	Jul 2018 Veg Tech AB	2018 Other	2018 Total
Cash consideration	22.9	46.2	183.0	2.4	254.5
Call/put option	0.0	9.6	0.0	0.0	9.6
<b>Total purchase consideration</b>	<b>22.9</b>	<b>55.8</b>	<b>183.0</b>	<b>2.4</b>	<b>264.1</b>

The acquired companies' net assets on the acquisition date:

Acquisition analysis SEK m, unless otherwise stated	Jan 2018 Ugilt Savværk	Mar 2018 RVT AS	Jul 2018 Veg Tech AB	2018 Other	2018 Total
Intangible assets	2.4	5.2	32.0	0.0	39.6
Tangible assets	6.6	1.8	41.1	0.0	49.5
Inventories	3.3	6.3	37.8	0.0	47.4
Trade and other receivables	0.0	20.5	30.7	0.0	51.2
Cash and cash equivalents	0.0	28.0	9.5	0.0	37.5
Other non-interest bearing liabilities	-0.3	-30.9	-31.0	0.0	-62.2
Deferred tax liabilities	-0.5	-5.3	-14.1	0.0	-19.9
<b>Net assets and liabilities</b>	<b>11.5</b>	<b>25.6</b>	<b>106.0</b>	<b>0.0</b>	<b>143.1</b>
Non-controlling interests	0.0	-15.4	-0.7	0.0	-16.1
Goodwill	11.4	36.0	77.7	2.4	127.5
<b>Cash consideration</b>	<b>22.9</b>	<b>46.2</b>	<b>183.0</b>	<b>2.4</b>	<b>254.5</b>

Acquisition of business – net cash impact, SEK m	Jan 2018 Ugilt Savværk	Mar 2018 RVT AS	Jul 2018 Veg Tech AB	2018 Other	2018 Total
Cash consideration	22.9	46.2	183.0	13.6	265.7
Less cash balances acquired	0.0	-28.0	-9.5	0.0	-37.5
<b>Net cash impact – investing activities</b>	<b>22.9</b>	<b>18.2</b>	<b>173.5</b>	<b>13.6</b>	<b>228.2</b>

"Other" includes SEK 11.2 m in connection with the acquisition of 10 percent of the shares in Taasinge Elementer A/S.

## NOTE 15 INFORMATION ON THE PARENT COMPANY

Nordic Waterproofing Holding A/S is the Parent Company in the Group. The Parent Company is a Danish company with CVR number 33395361 domiciled in Vejen.

The address of the company's registered office is Vester Allé 1, DK-6600 Vejen, Denmark, while the address of the Group's operational head office is Drottninggatan 11, SE-252 21 Helsingborg, Sweden.

The following capital owners are listed in the company's shareholders' register as owners of at least 5 percent of the votes or the capital:

Mawer Investment Management, Calgary, Canada  
 Svolder, Stockholm, Sweden  
 Swedbank Robur Funds, Stockholm, Sweden  
 Carnegie Funds, Stockholm, Sweden  
 Catella Funds, Stockholm, Sweden  
 Länsförsäkringar Funds, Stockholm, Sweden

## NOTE 16 RELATED PARTIES

### RELATED PARTY RELATIONSHIPS

The Group has related party relationships with the associated companies stated in Note 12. The Parent Company also has a related party relationship with its subsidiaries; see Note 13.

Associated companies are companies over which the Group has a significant, but not a controlling influence over the operational and financial governance, usually through an interest of between 20 and 50 percent of the number of votes. The vast majority of the associated companies in the Group are customers to the Danish subsidiaries, and also franchisees where they have access to the concepts and brands Phønix Tag and Hetag Tagdækning.

### COMPILATION OF RELATED PARTY TRANSACTIONS

SEK m	2018	2017
Sale of goods/services and royalties to related parties	206.1	188.4
Purchases of goods/services from related parties	0.0	0.0
Other (e.g. interest, dividends)	12.1	10.8
Receivables on related parties at 31 December	17.6	18.9
Liabilities to related parties at 31 December	0.0	0.0

Transactions with related parties are priced on market-based terms.

### TRANSACTIONS WITH KEY PERSONS IN MANAGEMENT POSITIONS

Transactions with key persons in management positions are presented in Note 7. These transactions comprise salaries, benefits and pension commitments, as well as participation in the Group's incentive program. No further transactions or commitments exist that cover key persons in senior positions.

## NOTE 17 INTANGIBLE ASSETS

### ACCOUNTING POLICIES

#### Goodwill

Goodwill is valued at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and impairment tested at least once a year. Goodwill that has arisen in the acquisition of associated companies is included in the carrying amount for participations in associated companies.

For goodwill in acquisitions that took place before 1 January 2012, the Group has not applied IFRS retroactively in the transition to IFRS, but rather the carrying amount at that date constitutes in continuation the Group's cost after impairment testing.

#### Customer relationships

Customer relationships acquired by the Group are recognized at cost less accumulated amortization and any impairment losses. Customer relationships are amortized straight-line over the expected useful life, normally 5–7 years, and are included in the statement of profit or loss item Cost of goods sold.

#### Order book

The order book included in other intangible assets relates to earnings in acquired order book. It is amortized straight-line over 12 months and is included in the statement of profit or loss item Cost of goods sold.

#### Research and development

Expenditures for development, where research results or other knowledge is applied to achieve new or improved products or processes, are recognized as an asset in the statement of financial position if

the product or process is technically and commercially usable, the company may reliably calculate the expenditure that will be activated, and the company has adequate resources to complete development, that will provide economic benefits in the future. The carrying amount includes all directly attributable expenditures, e.g. for materials and services, compensation to employees, registration of a legal right, amortization on patents and licences, borrowing expenses in accordance with IAS 23. Development expenditures recognized in the statement of financial position are initially measured at cost less accumulated amortization and any impairment losses.

#### Other intangible assets

Other intangible assets acquired by the Group are recognized at cost less accumulated amortization and any impairment losses. Software that has been developed or extensively adapted on behalf of the Group is also included among other intangible assets. Amortization of software is applied straight-line over the useful life, although a maximum of 5 years, and is included in the statement of profit or loss item Administrative expenses.

#### Impairment testing of goodwill

The value of recognized goodwill is tested at least once a year with regard to possible impairment requirements. The testing requires an assessment of the value in use of the cash-generating unit, or group of cash-generating units, to which the goodwill is attributable. This requires that several assumptions regarding future conditions and estimates of parameters are made. A description of these are provided below.

SEK m	Goodwill	Customer relationships	Order book	Software	R&D	Capitalized expenses for ongoing projects	Total
<b>At 1 January 2017</b>							
Cost	616,0	21.1	0.0	8.4	0.2	3.7	649.4
Accumulated amortization and impairment	0,0	-14.6	0.0	-2.5	-0.1	0.0	-17.2
<b>Net book amount</b>	<b>616,0</b>	<b>6.5</b>	<b>0.0</b>	<b>5.8</b>	<b>0.1</b>	<b>3.7</b>	<b>632.2</b>
<b>2017</b>							
Opening net book amount	616,0	6.5	0.0	5.8	0.1	3.7	632.2
Acquisitions	106,3	47.9	11.2	0.0	0.1	0.0	165.5
Investments	0,0	0.0	0.0	0.9	0.1	1.0	2.0
Reclassification	0,0	0.0	0.0	0.6	3.4	-3.9	0.1
Amortization	0,0	-7.4	-5.6	-1.5	-0.4	0.0	-14.9
Exchange-rate differences	10,5	0.9	0.1	0.1	0.1	0.0	11.6
<b>Closing net book amount</b>	<b>732,8</b>	<b>47.9</b>	<b>5.7</b>	<b>5.9</b>	<b>3.4</b>	<b>0.8</b>	<b>796.5</b>
<b>At 31 December 2017</b>							
Cost	732,8	69.9	11.3	10.0	3.9	0.8	828.7
Accumulated amortization and impairment	0,0	-22.0	-5.6	-4.1	-0.5	0.0	-32.2
<b>Net book amount</b>	<b>732,8</b>	<b>47.9</b>	<b>5.7</b>	<b>5.9</b>	<b>3.4</b>	<b>0.8</b>	<b>796.5</b>
<b>2018</b>							
Opening net book amount	732.8	47.9	5.7	5.9	3.4	0.8	796.5
Acquisitions	125.6	32.0	7.6	0.0	0.0	0.0	165.2
Investments	2.6	0.0	0.0	4.6	0.9	14.7	22.8
Reclassification	0.0	0.0	0.0	0.8	-0.8	0.0	0.0
Amortization	0.0	-12.8	-13.7	-2.4	-0.8	0.0	-29.7
Exchange-rate differences	17.5	2.0	0.4	-0.5	0.8	0.3	20.5
<b>Closing net book amount</b>	<b>878.5</b>	<b>69.2</b>	<b>0.0</b>	<b>8.4</b>	<b>3.5</b>	<b>15.8</b>	<b>975.4</b>
<b>At 31 December 2018</b>							
Cost	878.5	104.0	19.3	14.9	4.8	15.8	1,037.3
Accumulated amortization and impairment	0.0	-34.8	-19.3	-6.5	-1.3	0.0	-61.9
<b>Net book amount</b>	<b>878.5</b>	<b>69.2</b>	<b>0.0</b>	<b>8.4</b>	<b>3.5</b>	<b>15.8</b>	<b>975.4</b>

Consolidated goodwill consists of strategic business values that has arisen in business acquisitions. The main goodwill arose in 2011 in connection with the establishment of the Group, which is earlier than the date of transition to IFRS. Therefore, goodwill for instance comprises of customer relations, brands, the franchise concept and royalty and is allocated to segments in accordance with the agreed acquisition prices for the respective company and business.

Effective as of 1 January 2012, the Group's contracting operations were incorporated. In connection with this incorporation, goodwill was allocated between the segments in relation to expected discounted cash flows.

#### IMPAIRMENT TESTING FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The company has identified the following cash-generating units that contain goodwill:

SEK m	2018	2017
Products & Solutions	764.2	625.3
Installation Services	114.3	107.5
<b>Total</b>	<b>878.5</b>	<b>732.8</b>

The recoverable amount for the respective segment has been based on its value in use. This value is based on forecast cash flows established in company management's business forecast for the upcoming three years. The cash flows have then been assumed to grow by 2% (2%) per year. The cash flows have been present value calculated with a discount rate before tax of 8.9% (10.2%) for Products & Solutions and 7.9% (9.1%) for Installation Services, respectively.

Important assumptions in the business forecast that affect the estimate of the cash flows are presented below. The important assumptions used and the types of assessments made for the respective segments are similar to each other, even if cost structure and margin levels differ. The description below therefore applies to both segments.

Important variables	Estimation method
<b>Sales growth</b>	Forecasts of future sales are based on assessments of sales volumes and prices. Forecasts of the development of volumes and prices in future years are based on current market situations in the various submarkets and on an assessment of how they are expected to develop in the near future. The forecast largely agrees with external information sources (approx. 2%) and prior experiences, with the difference that the prevailing market situation and thereby tough competition set pressure on volumes and prices for Installation Services.
<b>Prices on input goods</b>	Significant input goods are comprised of petroleum-based products. The price trend on these has been negative and based on the expected future development on the commodities market, today's development has been extrapolated and forecast in five years to increase to a level in excess of today's levels, which have historically been affected by the so-called supercycle for commodities. The forecast agrees with external information sources.
<b>Personnel costs</b>	The forecast for personnel costs is based on expected inflation, some real salary growth (historical average) and planned efficiency enhancements to the company's production (according to a set three-year plan). The forecast agrees with earlier experiences and external information sources.

Testing has not led to any impairment losses and company management assesses that no reasonably possible changes in important assumptions would mean that the recoverable amount would drop below the carrying amount.

The Group's customer relationships and order book have arisen in connection with business acquisitions.

Amortizations are included in the following items in the consolidated statement of profit or loss:

SEK m	2018	2017
Cost of goods sold	26.5	13.1
Administrative expenses	3.2	1.8
<b>Total</b>	<b>29.7</b>	<b>14.9</b>

## NOTE 18 PROPERTY, PLANT AND EQUIPMENT

### ACCOUNTING POLICIES

#### Owned assets

Property, plant and equipment are recognized in the Group at cost less accumulated depreciation and any impairment losses. The cost includes the purchase price and expenditures directly attributable to the asset to put it in place and in the condition to be used in accordance with the purpose of the acquisition.

Property, plant and equipment that consist of components with different useful lives are treated as separate components of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is taken off the statement of financial position upon disposal or divestment or when no future financial benefits are expected from the use or disposal/divestment of the asset. Gains or losses that arise upon divestment or disposal of an asset comprise the difference between the selling price and the asset's carrying amount less direct selling expenses. Gains and losses are recognized as other operating income/expenses.

#### Subsequent expenditures

Subsequent expenditures are capitalized only if it is likely that the future financial benefits associated with the asset will flow to the company and the cost can be reliably calculated. All other subsequent expenditures are expensed in the period they arise.

A subsequent expenditure is capitalized if the expenditure pertains to replacements of identified components or parts thereof. The expenditure is also capitalized if a new component has been created. Any non-depreciated carrying amounts on replaced components, or parts of components, are disposed of and expensed in connection with the replacement. Repairs are continuously expensed.

#### Depreciation policies

Depreciation is applied straight-line over the asset's estimated useful life; land is not depreciated. Leased assets are also depreciated over the estimated useful life or, if it is shorter, over the agreed term of the lease. The Group applies component depreciation, which means that the components' estimated useful life forms the basis of depreciation.

#### Estimated useful lives:

Office buildings:	
Framework, facades, roofs and windows	25–57 years
Other	25–57 years
Industrial buildings:	
Framework, facades, roofs	25–57 years
Other	25–57 years
Plant and machinery	5–10 years
Equipment, tools, fixtures and fittings	5 years

Applied depreciation methods, residual values and useful lives are reviewed at the end of every year.

#### Leased assets

Leases are classified either as finance or operating leases. Finance leases exist when the financial risks and benefits associated with ownership are essentially transferred to the lessee. When this is not the case, it is an operating lease.

Assets leased under finance leases are recognized as property, plant and equipment in the statement of financial position and initially valued at the lower of the leased asset's fair value and the present value of the minimum lease payments upon entering the lease. The obligation to pay future lease payments is recognized as a non-current or current liability. The leased assets are depreciated over the respective asset's useful life while the lease payments are recognized as interest and repayment of the liabilities.

Assets leased under operating leases as a rule are not recognized as an asset in the statement of financial position. Operating leases also do not give rise to a liability.

#### Finance lease

The minimum lease payments are distributed between interest expense and repayment of the outstanding liability. The interest expense is distributed over the term of the lease so that each accounting period is charged an amount that corresponds to a fixed interest rate for the liability recognized in the respective period. Variable payments are expensed in the periods in which they arise.

SEK m	Land and buildings	Machinery	Equipment & tools	Construction in progress	Total
<b>At 1 January 2017</b>					
Cost	103.0	130.4	47.9	3.4	284.7
Accumulated depreciation and impairment	-21.6	-60.3	-22.7	0.0	-104.6
<b>Net book amount</b>	<b>81.4</b>	<b>70.2</b>	<b>25.1</b>	<b>3.4</b>	<b>180.1</b>
<b>2017</b>					
Opening net book amount	81.4	70.2	25.1	3.4	180.1
Acquisitions	19.4	8.8	2.8	1.3	32.3
Investments	0.4	7.5	3.3	10.0	21.2
Divestments and disposals	-0.5	-0.5	0.0	0.0	-1.0
Reclassification	0.3	12.0	0.2	-12.6	-0.1
Depreciation	-4.2	-16.9	-4.4	0.0	-25.5
Exchange-rate differences	1.5	1.0	0.3	0.0	2.8
<b>Closing net book amount</b>	<b>98.3</b>	<b>82.1</b>	<b>27.3</b>	<b>2.1</b>	<b>209.8</b>
<b>At 31 December 2017</b>					
Cost	124.1	159.3	54.3	2.1	339.8
Accumulated depreciation and impairment	-25.8	-77.2	-27.0	0.0	-130.0
<b>Net book amount</b>	<b>98.3</b>	<b>82.1</b>	<b>27.3</b>	<b>2.1</b>	<b>209.8</b>

SEK m	Land and buildings	Machinery	Equipment & tools	Construction in progress	Total
<b>2018</b>					
Opening net book amount	98.3	82.1	27.3	2.1	209.8
Acquisitions	27.1	20.7	0.0	1.6	49.4
Investments	0.0	18.3	2.7	14.5	35.5
Divestments and disposals	0.0	-0.1	0.0	0.0	-0.1
Reclassification	1.9	2.5	0.8	-5.2	0.0
Depreciation	-5.5	-22.6	-4.5	0.0	-32.6
Exchange-rate differences	2.8	2.3	0.7	0.3	6.1
<b>Closing net book amount</b>	<b>124.6</b>	<b>103.2</b>	<b>27.0</b>	<b>13.3</b>	<b>268.1</b>
<b>At 31 December 2018</b>					
Cost	155.9	203.0	58.5	13.3	430.7
Accumulated depreciation and impairment	-31.3	-99.8	-31.5	0.0	-162.6
<b>Net book amount</b>	<b>124.6</b>	<b>103.2</b>	<b>27.0</b>	<b>13.3</b>	<b>268.1</b>

Depreciations are included in the following items in the consolidated statement of profit or loss:

SEK m	2018	2017
Cost of goods sold	27.7	22.0
Selling expenses	1.2	1.0
Administrative expenses	3.7	2.5
<b>Total</b>	<b>32.6</b>	<b>25.5</b>

## NOTE 19 OPERATING LEASES

### ACCOUNTING POLICIES

Expenses concerning operating leases are recognized in profit/loss for the year straight-line over the term of the lease. Variable payments are expensed in the periods in which they arise.

### LEASES WHERE THE COMPANY IS LESSEE

Future payments for leases that cannot be cancelled amount to:

SEK m	2018	2017
Within one year	32.8	25.4
Between one and five years	55.2	38.6
After more than five years	0.0	1.0
<b>Total</b>	<b>88.0</b>	<b>65.0</b>

Of the Group's operating leases, most pertain to leases for properties and premises where operations are conducted.

Expensed payments for operating leases amount to:

SEK m	2018	2017
Minimum lease fees	35.3	26.6
Variable fees	0.0	0.0
<b>Total leasing costs</b>	<b>35.3</b>	<b>26.6</b>

No leased assets have been subleased.

## NOTE 20 INVENTORY

### ACCOUNTING POLICIES

Inventory is valued at the lower of cost and net realisable value. The cost of inventory is calculated using the first-in, first-out policy (FIFO) and includes expenses arising in the acquisition of the inventory assets and their transport to their current location and condition. For manufactured goods and work in progress, the cost includes a reasonable share of indirect expenses based on a normal capacity.

The net realisable value is the estimated selling price in the operating activities, less estimated costs for completion and to achieve a sale.

SEK m	2018	2017
Raw materials and consumables	86.2	61.1
Finished goods and goods for resale	259.6	198.5
<b>Total</b>	<b>345.8</b>	<b>259.6</b>

All inventory items are recognized as cost of goods sold at the time of the sale or scrapping of products. No additional write-downs have been made other than the physical scrapping of products identified as being obsolete.

## NOTE 21 TRADE RECEIVABLES

### ACCOUNTING POLICIES

Trade receivables are financial assets that are non-derivatives, have determined or determinable payments and are not listed in an active market. Trade receivables are valued at amortized costs. Trade receivables are recognized in the amount expected to be received, i.e. less expected credit losses.

The provision for expected credit losses is valued to an amount that corresponds to the expected credit loss for the remaining maturity period. The estimate of the expected credit loss is mainly based on an individual assessment of the receivable in question together with information about historical losses for similar assets and counterparties, taking into consideration potential future events.

The Group has usual short-term payment terms.

Trade receivable are recognized after consideration is taken to credit losses arising during the year that amounted to SEK -2.9 m (-3.5).

### AGE ANALYSIS

SEK m	2018	2017
Trade receivable not overdue	174.7	147.7
Overdue 1-30 days	56.1	40.8
Overdue 31-90 days	5.7	6.2
Overdue > 90 days	14.1	5.2
<b>Carrying amount</b>	<b>250.6</b>	<b>199.8</b>

### PROVISION FOR EXPECTED CREDIT LOSSES

SEK m	2018	2017
Opening balance	-3.9	-1.8
Reversal of previously applied impairment losses	0.4	0.8
Write-off of previous credit losses	0.7	0.5
Credit losses for the year	-2.9	-3.5
Exchange-rate differences for the year	-0.3	0.0
<b>Closing balance</b>	<b>-6.0</b>	<b>-3.9</b>

## NOTE 22 RECEIVABLES FOR ON-GOING CONSTRUCTION CONTRACTS

### ACCOUNTING POLICIES

Receivables for on-going construction contracts are projects where higher accumulated income is recognized than invoiced income.

SEK m	2018	2017
Performed revenues for on-going construction contracts	639.8	516.5
Invoicing on on-going construction contracts	-601.0	-472.6
<b>Total</b>	<b>38.8</b>	<b>43.9</b>

SEK m	2018	2017
Receivables for on-going construction contracts	54.3	43.9
Payables for on-going construction contracts	-15.5	0.0
<b>Total</b>	<b>38.8</b>	<b>43.9</b>

The contract assets and liabilities are related to construction contracts with a duration less than twelve months.



## NOTE 23 OTHER CURRENT RECEIVABLES

### ACCOUNTING POLICIES

Current receivables essentially consist of amounts expected to be recovered within 12 months of the reporting date.

SEK m	2018	2017
VAT receivables	6.1	3.2
Fair value, commodity derivatives	3.2	0.0
Balance on tax account	4.0	5.4
Other receivables	2.2	2.3
<b>Total</b>	<b>15.5</b>	<b>10.9</b>

## NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME

### ACCOUNTING POLICIES

Prepaid expenses are payments for the period which represents costs for subsequent periods. Accrued income are revenue during the period in which the payment is made in later periods.

SEK m	2018	2017
Sales and marketing expenses	1.8	2.4
Energy costs	0.0	0.2
IT	2.3	1.5
Insurance	1.9	1.3
Rent	3.1	2.4
Supplier bonuses	1.5	0.0
Other	7.3	5.7
<b>Total</b>	<b>17.9</b>	<b>13.5</b>

## NOTE 25 OTHER CURRENT LIABILITIES

### ACCOUNTING POLICIES

Current liabilities essentially consist of amounts expected to be paid within 12 months of the reporting date.

SEK m	2018	2017
Personnel-related liabilities	10.5	9.4
VAT liabilities	20.7	18.7
Customer bonuses	4.2	4.6
Advances from customers	0.0	2.9
Short term additional purchase price liability	5.7	18.6
Other liabilities	4.9	3.0
<b>Total</b>	<b>46.0</b>	<b>57.2</b>

## NOTE 26 ACCRUED EXPENSES AND PREPAID INCOME

### ACCOUNTING POLICIES

Accrued expenses are costs where payments are made in later periods. Prepaid income is payments during the period that constitute income for subsequent periods.

SEK m	2018	2017
Personnel-related expenses	103.1	90.7
Interest expenses	2.0	1.2
Customer bonuses	13.0	17.3
Claims	6.0	6.9
Other	28.5	17.0
<b>Total</b>	<b>152.6</b>	<b>133.1</b>

## NOTE 27 OTHER INVESTMENTS

SEK m	2018	2017
<b>Financial assets</b>		
Shares and participations	2.1	2.0

This item is essentially comprised of shares in unlisted companies. The company has deemed that the fair value of the shares have not been able to be estimated with sufficient reliability. Therefore and due to immateriality, the shares have been valued at cost.

## NOTE 28 CASH AND CASH EQUIVALENTS

### ACCOUNTING POLICIES

Cash and cash equivalents consists of cash funds and immediately available balances at banks and equivalent institutes and short-term liquid investments with a duration from the time of acquisition of less than three months, which are only subject to an insignificant risk of value fluctuations.

SEK m	2018	2017
<b>The following subcomponents are included in cash and cash equivalents:</b>		
Cash and bank balances	105.6	156.8
Total as per balance sheet	105.6	156.8
<b>Total as per cash flow statement</b>	<b>105.6</b>	<b>156.8</b>

## NOTE 29 EQUITY

### SHARE CAPITAL AND NUMBER OF SHARES

Stated in number of shares	2018	2017
Issued at 1 January	24,083,935	24,083,935
<b>Issued at 31 December – paid</b>	<b>24,083,935</b>	<b>24,083,935</b>
<b>Number of shares by class:</b>		
Class A shares	24,083,935	24,083,935
<b>Total</b>	<b>24,083,935</b>	<b>24,083,935</b>

All shares have a quotient value of DKK 1.00 (1.00). Holders of ordinary shares are entitled to dividends determined in arrears and the shareholding entitles to voting rights at the General Meeting with one vote per share.

11,610 (0) treasury shares corresponding to 0.05 (0.0) percent of the total share capital were acquired late 2018 in order to secure the longterm incentive programs. Total treasury shares are 11,610 (0).

### RESERVES

#### Translation reserve

The translation reserve includes all exchange-rate differences that arise in the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than the currency that the consolidated financial statements are presented in. The Group presents its financial statements in SEK.

In addition, the translation reserve consists of exchange-rate differences that arise in the revaluation of liabilities that have been taken up as hedging instruments by a net investment in a foreign operation.

#### Hedging reserve

The hedging reserve includes unrealised fair value gains and losses on hedging instruments.

### RETAINED EARNINGS INCLUDING PROFIT FOR THE YEAR

Retained earnings including profit for the year include profits earned in the Group. Earlier reservations to the statutory reserve, excluding transferred share premium reserves, are included in this equity item. The item also includes other equity contributed by the shareholders. This includes premiums paid in connection with new share issues.

### CAPITAL MANAGEMENT

The Group strives to maintain a strong financial position that contributes to retaining the confidence of creditors and the market, which constitutes a basis for continued development of the business. The Group defines managed capital as total recognized equity.

The financial targets for Nordic Waterproofing Group, which are valid as from 2016, include a dividend policy and targets for the capital structure. Nordic Waterproofing aims to have an annual dividend of more than 50 percent of its net profit. The pay out decision will be based on the Company's financial position, investment needs, liquidity position as well as general economic and business conditions. Net debt in relation to EBITDA before items affecting comparability (measured on a rolling-twelve months basis), excluding temporary deviations, shall not exceed 2.5 times. Dividend of SEK 90.3 m (90.3) has been paid to the owners during 2018, why leverage has increased and amounts to 1.5x EBITDA (0.8x) as per the end of the reporting period.

## NOTE 30 EARNINGS PER SHARE

SEK m	2018	2017
Earnings per share before and after dilution	6.30	5.71

The calculation of the numerator and denominator used in the above calculations of earnings per share is presented below.

### PROFIT/LOSS FOR THE YEAR ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS, BEFORE AND AFTER DILUTION

SEK m	2018	2017
Profit/loss attributable to Parent Company shareholders, before and after dilution	152.1	136.9

### WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES, BEFORE AND AFTER DILUTION

In shares	2018	2017
Total number of shares, 1 January	24,083,935	24,083,935
<b>Weighted average number of shares during the year, before and after dilution</b>	<b>24,083,935</b>	<b>24,083,935</b>

Since the condition for allocation of performance shares as mentioned in Note 7 were not met at the balance sheet date, the LTIP has no dilution effect.

## NOTE 31 INTEREST-BEARING LIABILITIES

### ACCOUNTING POLICIES

Borrowings are valued at amortized cost. Borrowings are classified as interest-bearing non-current or current liabilities in the balance sheet.

SEK m	2018	2017
<b>Non-current liabilities</b>		
Bank loans	416.3	360.3
<b>Total</b>	<b>416.3</b>	<b>360.3</b>

The non-current part of bank loans has been reduced by SEK 1.9 m (2.8) with regard to period-allocated arrangement costs for bank loans.

SEK m	2018	2017
<b>Current liabilities</b>		
Current part of bank loans	73.6	0.0
Cash credit	57.4	0.0
<b>Total</b>	<b>131.0</b>	<b>0.0</b>

The current part of bank loans has been reduced by SEK 1.3 m (0.0) with regard to period-allocated arrangement costs for bank loans.

### RECONCILIATION OF DEVELOPMENT OF LOANS AND BORROWINGS TO FINANCING ACTIVITIES IN THE CASH FLOW STATEMENT

SEK m	2018	2017
Interest-bearing liabilities	360.3	353.4
Other financial liabilities	56.3	0.0
<b>Loans and borrowings, 1 January</b>	<b>416.6</b>	<b>353.4</b>
Assumed loans and borrowings in acquired companies	0.0	99.0
Proceeds from loans and borrowings	259.3	0.4
Repayment of loans and borrowings	-95.0	-50.1
Fair value adjustment of put options and additional purchase price liabilities	10.0	5.7
Period-allocated arrangement costs for bank loans	1.1	0.8
Exchange-rate differences	0.2	7.4
<b>Loans and borrowings, 31 December</b>	<b>592.2</b>	<b>416.6</b>
whereof:		
Interest-bearing liabilities	547.3	360.3
Other financial liabilities	44.9	56.3

## NOTE 32 OTHER NON-CURRENT LIABILITIES

### ACCOUNTING POLICIES

Non-current liabilities essentially consist of amounts expected to be recovered or paid after 12 months of the reporting date.

SEK m	2018	2017
Long term call/put option liabilities	32.3	31.0
Long term additional purchase price liability	4.6	4.3
Other liabilities	1.2	1.8
<b>Total</b>	<b>38.1</b>	<b>37.1</b>

Other non-current liabilities consists primarily of contingent liabilities in relation to acquired companies.

## NOTE 33 FINANCIAL INSTRUMENTS

### ACCOUNTING POLICIES

#### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments that are recognized in the statement of financial position include cash and cash equivalents, loan receivables, trade receivable, other investments and derivatives on the asset side. On the liabilities side, there are trade payable, borrowings and derivatives.

#### Recognition in and derecognition from the statement of financial position

A financial asset or liability is recognized in the statement of financial position when the company becomes a party to the instrument's contractual terms. A receivable is recognized when the company has performed and a contractual obligation exists for the counterpart to pay, even if an invoice has not yet been sent. Trade receivables are recognized in the statement of financial position when an invoice has been sent. A liability is recognized when the counterpart has performed and a contractual obligation exists to pay, even if an invoice has not yet been received. Trade payables are recognized when an invoice has been received.

A financial asset and a financial liability are offset and reported in a net amount in the statement of financial position only when there is a legal right to offset the amounts and there is an intention to settle the items with a net amount or to simultaneously realise the asset and settle the liability.

Acquisitions and disposals of financial assets are recognized on the transaction date. The transaction date is the date the company commits to acquire or dispose of the asset.

Financial instruments that are not accounted for at fair value are initially recognized at cost corresponding to the instrument's fair value plus transaction expenses for all financial instruments except with regard to those belonging to the category of financial assets at fair value through profit or loss, which are recognized at fair value excluding transaction expenses. A financial instrument is classified at initial recognition based in part on the purpose for which the instrument was acquired. The classification determines how the financial instrument is valued after initial recognition as described below.

Derivatives are initially recognized at cost and at fair value subsequently. Both realised and unrealised gains and losses are recognized in the income statement unless the derivatives are part of hedging of future transactions. Value adjustments of derivatives for hedging of future transactions are recognized directly in other comprehensive income. As hedged transactions are realised, gains or losses are recognized in the hedging instrument from other comprehensive income in the same item as the hedged items. Any non-effective part of the financial instrument in question is recognized in the income statement.

Derivatives are recognized under other receivables or other payables.

Cash and cash equivalents consist of cash funds and immediately available balances at banks and equivalent institutes and short-term liquid investments with a duration from the time of acquisition of less than three months, which are only subject to an insignificant risk of value fluctuations.

#### Financial assets and liabilities at fair value through profit or loss

The category comprises derivative financial assets and liabilities of which some are designated as hedging instruments as described below.

#### Loans and receivables

Loans and receivables are financial assets that are non-derivatives, have determined or determinable payments and are not listed on an active market. These assets are valued at amortized cost. Trade receivables are recognized in the amount expected to be received, i.e. less expected credit losses.

#### Other financial liabilities

Borrowings and other financial liabilities, such as trade payable, are included in this category. These liabilities are valued at amortized cost.

The categories to which the Group's financial assets and liabilities belong are presented by Note 34 Financial risks and finance policy. Recognition of finance income and expenses is also addressed above.

#### Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

#### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other operating income or other operating expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast purchase that is hedged takes place). The gain or loss relating to the effective portion of forward contracts hedging prices of raw materials is recognized in profit or loss within cost of goods sold. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

#### Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Loans in foreign currency are used as hedging instruments.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other operating income or other operating expenses.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

### CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

The table below presents the carrying amounts for financial assets and liabilities by measurement category.

SEK m	Financial assets at fair value through profit or loss	
	2018	2017
<b>Financial assets at fair value</b>		
Other current receivables		
Commodity derivatives	3.2	0.0
<b>Total financial assets at fair value</b>	<b>3.2</b>	<b>0.0</b>

SEK m	Financial assets at amortized cost	
	2018	2017
<b>Financial assets not measured at fair value</b>		
Non-current receivables from associated companies	6.7	5.8
Other non-current receivables	16.3	12.0
Current receivables from associated companies	10.9	13.0
Receivables for on-going construction contracts	54.3	43.9
Other current receivables	12.4	10.9
Current tax assets	2.4	1.9
Accounts receivable	250.6	199.8
<b>Total financial assets not measured at fair value</b>	<b>353.6</b>	<b>287.3</b>
<b>Total financial assets</b>	<b>356.8</b>	<b>287.3</b>

The item "Other investments" is essentially comprised of unlisted shares and participations belonging to the measurement category "Financial assets". For information on carrying amounts for these assets, refer to Note 27.

SEK m	Financial liabilities at fair value through profit or loss	
	2018	2017
<b>Financial liabilities at fair value</b>		
Other non-current liabilities		
Long term call/put option liability	32.3	31.0
Long term additional purchase price liability	4.6	4.3
Other current liabilities		
Short term additional purchase price liability	5.7	18.6
<b>Total financial liabilities at fair value</b>	<b>42.6</b>	<b>53.9</b>

The fair values were calculated based on cash flows discounted using a risk adjusted discount rate (WACC).

The decrease in short term additional purchase price liability is mainly related to an earn-out payment made in 2018 regarding the acquisition of Taasinge Elementer A/S in 2017.

SEK m	Financial liabilities at amortized cost	
	2018	2017
<b>Financial liabilities not measured at fair value</b>		
Non-current interest-bearing liabilities	416.3	360.3
Current interest-bearing liabilities	131.0	0.0
Payables for on-going construction contracts	15.5	0.0
Trade payable	129.2	90.7
Other current liabilities	40.3	38.9
Accrued interest expenses	1.4	1.2
<b>Total financial liabilities not measured at fair value</b>	<b>733.7</b>	<b>491.1</b>
<b>Total financial liabilities</b>	<b>776.3</b>	<b>545.0</b>

Financial instruments measured at fair value in the balance sheet consist of financial derivatives used to hedge the price risk arising from highly probable future purchases of bitumen products. These are recognized in the balance sheet items Other receivables and Other liabilities. The fair value of these commodity derivatives has been established through a discount of the difference between the agreed price and future prices at the reporting date for the remaining contract period. The fair value measurements belong to level 2 in the fair value hierarchy in IFRS 13. The carrying amounts of financial instruments not recognized at fair value constitute a reasonable approximation of their fair values.

## NOTE 34 FINANCIAL RISKS AND FINANCE POLICY

### TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

The Group's treasury policy for the management of financial risks has been established by the Board and forms a framework of guidelines and rules in the form of risk mandates and limits for financing activities. The CFO is responsible for compliance to the policy and for reporting any deviations to the CEO, who in turn informs the Board. The Board updates and establishes the policy once a year, or more often if circumstances require.

The management of financial risks within Nordic Waterproofing is centralised to the Group's finance function ("Group Finance"), which also serves as the Group's internal bank.

The Board has identified the following financial risks as the most significant to the Group: liquidity and financing risk, interest rate risk, currency risk, raw material price risk and credit risk.

### LIQUIDITY AND FINANCING RISK

Financing risk is defined in the finance policy as the risk that loans cannot be refinanced when necessary, that financing cannot be obtained or that refinancing is only possible at unfavourable terms. It is incumbent on Group Finance to continuously forecast the Group's liquidity requirements and to continuously maintain contracts with relevant credit institutions to maintain access to competitive financing.

Nordic Waterproofing's principal external financing agreement is valid until June 2021. On 31 December 2018, the Group's non-current

interest-bearing liabilities comprises of a EUR 37.5 m (37.5) term loan facility. The loan facility bears variable interest and runs without requiring repayment in instalments.

The financing agreement contains financial covenants regarding the net debt/EBITDA ratio as well as interest coverage ratio. The covenants are monitored and followed up on a quarterly basis. At the reporting date, the Group fulfilled all covenants.

The Group's bank loans are raised in EUR and in SEK.

With the aim of managing the liquidity risk, the finance policy prescribes that the Group shall have a liquidity reserve consisting of cash and bank balances, current investments and unutilised credit facilities of at least SEK 40 m. If the liquidity reserve falls below, or is expected to fall below, this amount the Board shall be informed. At the reporting date, cash and cash equivalents amounted to SEK 105.6 m (156.8). Out of the Group's total credit facilities in the form of overdraft facilities of EUR 14.4 m (14.4), corresponding to SEK 148.0 m (141.8), SEK 57.4 m (0) was utilized at the end of 2018.

The table below shows the maturity structure for the Group's financial liabilities including derivative liabilities. For each period, due dates are presented for capital amounts and payment of interest. For liabilities with variable interest, the future interest payments have been estimated based on the variable spot rate that applied on the reporting date.

2018 SEK m	Nominal amounts	Contractual payments of capital amounts and interest				
		Jan–Jun 2019	Jul–Dec 2019	2020	2021 to 2024	After 2024
<b>Interest-bearing liabilities</b>						
Non-current interest-bearing liabilities						
<i>Bank loans – term loan facility</i>	371.2	–	–	–	371.2	–
<i>Bank loans – revolving loan facility</i>	45.1	–	–	–	45.1	–
Current interest-bearing liabilities						
<i>Bank loans – term loan facility</i>	73.6	73.6	–	–	–	–
<i>Cash credit</i>	57.4	–	–	–	57.4	–
Interest	20.1	4.3	4.0	7.9	4.0	–
<b>Non-interest-bearing liabilities</b>						
Non-current non-interest-bearing liabilities						
<i>Long term call/put option liability</i>	32.3	–	–	–	32.3	–
<i>Long term additional purchase price liability</i>	4.6	–	–	1.2	3.4	–
<i>Other long term liabilities</i>	1.2	–	–	–	1.2	–
Current non-interest-bearing liabilities						
<i>Short term additional purchase price liability</i>	5.7	1.2	4.5	–	–	–
<i>Trade payable</i>	129.2	129.2	–	–	–	–
<i>Accrued interest expenses</i>	2.3	2.3	–	–	–	–
<i>Other current liabilities</i>	1.7	–	1.7	–	–	–
<b>Total</b>	<b>744.4</b>	<b>210.6</b>	<b>10.2</b>	<b>9.1</b>	<b>514.6</b>	<b>0.0</b>
Less bank balances	–105.6	–105.6	–	–	–	–
<b>Net</b>	<b>638.8</b>	<b>105.0</b>	<b>10.2</b>	<b>9.1</b>	<b>514.6</b>	<b>0.0</b>

2017 SEK m	Nominal amounts	Contractual payments of capital amounts and interest				
		Jan–Jun 2018	Jul–Dec 2018	2019	2020 to 2023	After 2023
<b>Interest-bearing liabilities</b>						
Non-current interest-bearing liabilities						
<i>Bank loans</i>	360.3	–	–	–	360.3	–
Interest	20.8	3.0	3.0	5.9	8.9	–
<b>Non-interest-bearing liabilities</b>						
Non-current non-interest-bearing liabilities						
<i>Long term call/put option liability</i>	31.0	–	–	–	31.0	–
<i>Long term additional purchase price liability</i>	4.3	–	0.3	0.7	2.9	0.4
<i>Other long term liabilities</i>	1.8	0.1	0.1	0.2	0.9	0.5
Current non-interest-bearing liabilities						
<i>Trade payable</i>	90.7	90.7	–	–	–	–
<i>Accrued interest expenses</i>	1.5	1.5	–	–	–	–
<b>Total</b>	<b>510.4</b>	<b>95.3</b>	<b>3.4</b>	<b>6.9</b>	<b>404.1</b>	<b>0.9</b>
Less bank balances	–156.8	–156.8	–	–	–	–
<b>Net</b>	<b>353.6</b>	<b>–61.5</b>	<b>3.4</b>	<b>6.9</b>	<b>404.1</b>	<b>0.9</b>

### INTEREST RATE RISK

Interest rate risk consists of the risk that a change of market rates has a negative impact on the consolidated statement of profit or loss or statement of financial position. The Group's bank loans run with variable interest in the form of EURIBOR 3M plus a margin.

#### Sensitivity analysis, interest rate risk

An increase/decrease of EURIBOR 3M by 100 interest rate points would have increased/decreased the Group's annual interest expenses by approximately SEK 3.8 m (2.0) based on the size of the bank loans and finance lease liabilities less bank balances at the reporting date.

### CURRENCY RISK

Currency risk consists of the risk of negative impact on the consolidated statement of profit or loss, statement of financial position or statement of cash flows as a result of exchange-rate changes. Exposure to currency risk can be divided into transaction exposure and translation exposure.

#### Transaction exposure

Transaction exposure is the risk of a negative impact on the consolidated profit due to changes in exchange rates that affect the value of a commercial transaction in a foreign currency relative to the functional currency for the Group company making the transaction. The Group has significant cash flows in foreign currencies (DKK, EUR, NOK and USD) that arise in the ordinary course of the Group's business. However, inflows and outflows of those foreign currencies are naturally well balanced and any net transaction exposure is therefore considered insignificant. Accordingly, only cash flows that are unusual for the Group are currency hedged, such as binding significant contracts in foreign currencies with longer durations than apply for normal transactions. As at 31 December 2018, there were no outstanding currency hedges.

#### Translation exposure

Translation exposure arises in the translation of the statements of financial position and statements of profit or loss for foreign subsidiaries to SEK, which is the Group's presentation currency. The translation exposure is related to the subsidiaries in Finland, Belgium, the Netherlands, Denmark and Norway as the functional currency for these subsidiaries are EUR, DKK and NOK. A strengthened SEK compared to EUR, DKK and NOK will lead to negative translation differences and a weakened SEK will lead to positive translation differences. In accordance with the accounting policies these translation differences are recognized in other comprehensive income and accumulated in a special reserve,

called a translation reserve. In 2018 the translation differences amounted to SEK 32.4 m (19.8).

Part of the Group's borrowing in EUR is used to hedge the Group's net investments in the same currency, i.e. the translation exposure related to subsidiaries in Finland, Belgium and the Netherlands. The assets for these subsidiaries are at the reporting date SEK 325.8 m (274.2) compared to outstanding loans in EUR of SEK 163.1 m (156.3). The part of exchange rate gains/losses on the loans in EUR related to the hedge of translation exposure is recognized in other comprehensive income, while the remaining part of the exchange rate gains/losses is recognized as finance income/expenses in the consolidated statement of profit or loss. Gains/losses on the loans in EUR related to the hedge of translation exposure recognized in other comprehensive income amounted to SEK –6.8 m (–4.5).

The net translation differences, which mainly relate to Denmark and Norway, amounted to SEK 25.6 m (15.3). At the reporting date the accumulated translation differences after tax recognized in the translation reserve amounted to SEK 50.1 m (23.0).

The treasury policy does not allow translation exposures to be hedged using currency derivatives.

#### Sensitivity analysis, currency risk

The Group has a significant exposure in DKK, EUR and NOK against SEK, of which the exposure in EUR is the most significant. The Group's exposure in EUR against SEK is affected by part of the Group's bank loans being raised in EUR, as well as net investment hedge arrangements. A 10 percent strengthening/weakening of the EUR against the SEK would have affected the Group's net financial items by SEK +/- 3.9 m (2.7), given the net liabilities that were outstanding on the reporting date (less cash holdings). Other comprehensive income would have been affected by translation differences of SEK +/- 16.3 m (11.8) including the effect of hedge arrangements mentioned above and as set out in the below schedule:

SEK m	2018	2017
Bank loan in EUR	163.1	156.3
Bank overdraft in EUR	–38.5	27.4
<b>Gross exposure in EUR</b>	<b>124.6</b>	<b>183.7</b>
Hereof designated as net investment hedge instrument	–163.1	–156.3
<b>Net exposure in EUR</b>	<b>–38.5</b>	<b>27.4</b>

The effect on the profit and loss statement and comprehensive income can be summarized as follows (illustrating a 10 percent weakening of the EUR against SEK):

SEK m	2018	2017
<b>Profit and loss statement</b>		
Exchange gain on bank loan	16.3	15.6
Exchange gain on bank overdraft	3.9	2.7
<b>Gross effect on profit and loss statement</b>	<b>20.2</b>	<b>18.3</b>
Hedge part of gain on bank loan	-16.3	-15.6
<b>Net effect on profit and loss statement</b>	<b>3.9</b>	<b>2.7</b>
<b>Other comprehensive income</b>		
Translation loss on subsidiaries in EUR countries (Finland, Belgium and the Netherlands)	-32.6	-27.4
Hedge part of gain on bank loan	16.3	15.6
<b>Net effect on comprehensive income</b>	<b>-16.3</b>	<b>-11.8</b>
<b>Total effect on profit and loss statement and comprehensive income</b>	<b>-12.4</b>	<b>-9.1</b>

A 10 percent strengthening/weakening of the DKK against the SEK would have affected the Group's net financial items by SEK +/- 3.3 m (8.5), given the cash holdings on the reporting date, and other comprehensive income would have been affected by translation differences of SEK +/- 39.8 m (40.4). A 10 percent strengthening/weakening of the NOK against the SEK would have affected the Group's net financial items by SEK +/- 1.2 m (3.8), given the cash holdings on the reporting date, and other comprehensive income would have been affected by translation differences of SEK +/- 1.8 m (3.9).

#### RAW MATERIAL PRICE RISK

Raw material price risk consists of the risk that changes in the price of raw materials have an unexpected impact on the consolidated statement of profit or loss, statement of financial position or statement of cash flows. Nordic Waterproofing is primarily exposed to the risk of price fluctuations on four kinds of raw materials: bitumen, SBS, polyester and EPDM. In 2018, these materials accounted for 58 percent (64) of the Group's total raw materials costs. The largest exposure is in bitumen, the price of which is the most volatile in the short term. Derivative instruments based on HSFO (High Sulphur Fuel Oil) are used to hedge the Group's exposure to the price of bitumen, as there is a high correlation between the bitumen and HSFO price. As from December 2015 hedge accounting is applied as conditions for qualification are fulfilled.

#### Sensitivity analysis, bitumen price

A 10% increase/decrease in the price of bitumen would have impacted the statement of profit and loss in an amount of SEK +/- 18.0 m (12.1) without taking into consideration the effect of fair value changes on any outstanding bitumen derivative contracts. Expressed as changes in the underlying HSFO price, a 10 USD per ton increase/decrease would have impacted the statement of profit and loss by approximately SEK +/- 3.6 m (3.6).

As at 31 December 2018, the expected purchases of bitumen for delivery during January to December 2019 were hedged by means of derivatives, equivalent to 30,480 tons or approximately 76% of the expected annual purchasing volume (at the corresponding period the preceding year, there were no outstanding hedge agreements).

A 10% increase/decrease in the price of bitumen would have impacted the fair value of outstanding derivative instruments in an amount of SEK +/- 7.5 m (0.0), which would have affected other comprehensive income for 2018.

#### CREDIT RISK

##### Commercial credit risk

Commercial credit risk is comprised of the risk of losses if any of the Group's customers become insolvent and cannot fulfil their undertakings. Credit risk is managed locally at the respective business unit through internal procedures and controls for the evaluation and check of

credit ratings from external credit rating companies. If deemed viable in relation to risk exposure, credit insurance can be used.

In 2018, no single customer accounted for more than 2.8 (3.7) percent of consolidated sales, and the five largest customers accounted for 13.0 (13.2) percent of consolidated sales.

On the reporting date, there is no significant concentration of credit exposure. The maximum credit risk exposure is apparent from the carrying amount for receivables in the statement of financial position.

The commercial credit risk is presented in Note 21.

##### Financial credit risk

The financial activities in the Group entail an exposure to credit risks. The Group's exposure to financial credit risk is primarily comprised of receivables from banks in the form of bank balances. In addition to this, exposure arises through receivables from counter-parties linked to positive market values on derivative contracts entered into.

## NOTE 35 CONTINGENT LIABILITIES

#### ACCOUNTING POLICIES

A contingent liability is disclosed when there is a possible commitment that originates from events occurred and the existence of which is confirmed only by one or more uncertain future events beyond the Group's control, or when there is a commitment that is not recognized as a liability or provision on the grounds that it is not likely that an outflow of resources will be required or cannot be calculated with sufficient reliability.

SEK m	2018	2017
<b>Contingent liabilities</b>		
Guarantees for the benefit of subsidiaries	116.8	39.4
Guarantees for the benefit of associated companies	44.4	42.5
<b>Total contingent liabilities</b>	<b>161.2</b>	<b>81.9</b>

Security in the form of guarantee commitments have been made for the benefit of Group companies' completion guarantees for contractor projects of SEK 116.8 m (39.4) at the reporting date.

A security of total DKK 17.3 m (17.1) (corresponding to SEK 23.8 m (22.6) at the reporting date) have been made for the benefit of the Danish associated companies' credit commitments. These guarantees are, however, limited per company and amount to a maximum of DKK 2.5 m (2.5) (corresponding to SEK 3.4 m (3.3)) for an individual associated company. In addition to this, Group companies have guaranteed completion guarantees regarding associated companies' project corresponding to a maximum of DKK 15.0 m (15.0) (corresponding to SEK 20.6 m (19.8) at the reporting date).

On 31 May 2017, the Danish Competition Council decided that Nordic Waterproofing A/S, Icopal Danmark ApS, Danske Tagpapfabrikanter Brancheforening and TOR had violated the Danish Competition Act. The alleged violation consisted in a so-called restrictive agreement in the form of an industry standard, "TOR-anvisninger", and the associated approval scheme, "TOR Godkendt".

Nordic Waterproofing A/S and the other parties disputed the Council's decision and brought the case before the Danish Competition Appeals Board. On 12 September 2018, the Appeals Board decided to remit the case to the Council for re-evaluation. According to the Appeals Board, the Council had failed to demonstrate with the requisite certainty that Nordic Waterproofing A/S and the other parties had violated the Danish Competition Act. In addition, the Appeals Board stated that technical standards normally have positive economic effects.

The Competition Council has still not decided whether the case will be re-opened or finally closed. If the Council decides to re-open the case, the entire administrative process has to be repeated before a new decision can be made by the Council, which would be subject to a new appeal to the Appeals Board and, in turn, to the courts. Accordingly, at present, it is not possible to predict if the case will be re-opened or, in



that case, what the final outcome would be. In the event that the Competition Council decides to finally close the case, Nordic Waterproofing A/S will not be ordered to pay a fine.

The initial decision by the Competition Council has resulted in two civil law proceedings raising claims (in solidum) totaling DKK 136.3 m. However, both proceedings have been suspended to await the Council's decision as to whether the case is being re-opened or finally closed. Since it is the Council's initial decision, which forms the basis of the civil law proceedings, the Council's choice is expected to determine whether the civil law proceedings will be continued or discontinued.

In the light of the Appeal Board's decision to remit the case to the Competition Council, it may be concluded that even though the civil proceedings are still pending, there are at present no substantive basis for the claims made. Additionally, it should be noted that Nordic Waterproofing A/S does not consider the claims raised substantiated and justified.

## NOTE 36 AUDIT FEES AND EXPENSES

SEK m	2018	2017
<b>PwC</b>		
Statutory audit	2.5	2.4
Other assurance services	0.3	0.3
Tax consulting	0.8	1.1
Other services	3.4	5.7
<b>Total</b>	<b>7.0</b>	<b>9.5</b>
<b>Other auditors</b>		
Statutory audit	0.3	0.3
Tax consulting	0.0	0.0
Other services	0.0	0.0
<b>Total</b>	<b>0.3</b>	<b>0.3</b>

Non-statutory services delivered by the Group's Danish auditors, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, are included in the table above and amount to SEK 1.0 m (0.7) consisting of review of quarterly report, accounting advice related to acquisitions and general accounting advice.

## NOTE 37 STATEMENT OF CASH FLOWS

### ACCOUNTING POLICIES

The statement of cash flows shows how income and changes in balance sheet items affect cash and cash equivalents, i.e. the cash generated or used in the period.

Cash from operating activities converts income statement items from the accrual basis of accounting to cash basis. As such, starting with operating profit/loss, non-cash items are reversed and actual payments included. Further, change in working capital is taken into account as this shows the development in money tied up in the balance sheet.

Cash from investing activities shows payments related to the purchase and sale of long term investments. This includes fixed assets such as purchase and construction of new production sites, intangible assets and financial assets.

Cash from financing activities reports repayment of loans, finance leases and payment of dividends.

Cash and cash equivalents consist of cash and bank balances.

The statement of cash flows is presented in accordance with the indirect method commencing with operating profit/loss for the year.

Cash flows in foreign currencies are translated to SEK at the average exchange rate for the respective month.

Cash and cash equivalents SEK m	2018	2017
<i>The following subcomponents are included in cash and cash equivalents:</i>		
Cash and bank balances	105.6	156.8
<b>Total as per statement of financial position</b>	<b>105.6</b>	<b>156.8</b>
<b>Total as per statement of cash flows</b>	<b>105.6</b>	<b>156.8</b>

Adjustment for non-cash items SEK m	2018	2017
Depreciation/amortization	62.3	40.3
Participations in associated company earnings	-21.1	-15.1
Reversed impairment losses	0.0	0.0
Exchange-rate differences	6.2	6.6
Other items	-8.5	-8.1
<b>Total</b>	<b>38.9</b>	<b>23.7</b>

## NOTE 38 EVENTS AFTER THE REPORTING DATE

On 26 February 2019, Nordic Waterproofing Holding A/S's Swedish subsidiary, Nordic Waterproofing Group AB, acquired 100 percent of Distri Pond Group for EUR 11.3 m on a cash and debt-free basis. Sellers were the company's management and founders as well as some private investors, and the acquisition was primarily financed through an extension of Nordic Waterproofing's existing credit facilities. Distri Pond is consolidated within the segment "Products & Solutions" in the Nordic Waterproofing accounts as from 26 February 2019. Acquisition-related costs amounted to approximately SEK 2 million in the form of consulting fees and bank agreement fees in connection with the acquisition process, and will affect the income statement during the first quarter. The acquisition is expected to have a minor positive impact on the earnings per share of Nordic Waterproofing in 2019. Distri Pond is located in Belgium, with the two operating companies Distri Pond NV and Pond Technics & Training BVBA. The company is a leading distributor of pond systems in the Belgium market, with annual sales of approximately SEK 110 m and 23 employees.

## PARENT COMPANY STATEMENT OF PROFIT OR LOSS

SEK m	Note	2018	2017
Net sales		6.1	5.9
Administrative expenses		-20.1	-18.7
<b>Operating profit</b>		<b>-14.0</b>	<b>-12.8</b>
Financial income – dividend received from subsidiaries		104.5	100.0
Financial expenses		-0.1	-0.4
<b>Net finance items</b>		<b>104.4</b>	<b>99.6</b>
<b>Profit before tax</b>		<b>90.4</b>	<b>86.8</b>
Tax	2	3.1	2.9
<b>PROFIT FOR THE YEAR</b>		<b>93.5</b>	<b>89.7</b>

Proposed distribution of profit, see Note 6.

## PARENT COMPANY STATEMENT OF FINANCIAL POSITION

SEK m	Note	2018	2017
<b>Assets</b>			
Investments in subsidiaries	3	544.6	523.6
<b>Total non-current assets</b>		<b>544.6</b>	<b>523.6</b>
Other current receivables from Group companies		6.7	6.2
Current tax assets		8.5	7.2
Cash and cash equivalents		33.6	31.2
<b>Total current assets</b>		<b>48.8</b>	<b>44.6</b>
<b>TOTAL ASSETS</b>		<b>593.4</b>	<b>568.2</b>
<b>Equity</b>			
Share capital		30.0	30.0
Treasury shares		-0.8	0.0
Retained earnings including profit for the year		457.3	437.7
Proposed dividend for the financial year		96.3	90.3
<b>TOTAL EQUITY</b>	5	<b>582.8</b>	<b>558.0</b>
<b>Liabilities</b>			
Trade payable		0.5	1.0
Accrued expenses		4.4	3.5
Other non-interest bearing liabilities		1.9	0.8
Other current liabilities to Group companies		3.8	4.9
<b>Total current liabilities</b>		<b>10.6</b>	<b>10.2</b>
<b>TOTAL LIABILITIES</b>		<b>10.6</b>	<b>10.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>593.4</b>	<b>568.2</b>

Information on the parent company's contingent liabilities, see Note 7.

Information on the fees paid to the auditors, see Note 8.

Information on subsequent events, see Note 9.

Information on remuneration of the Executive Board and Board of Directors, see Note 7 in the Consolidated financial statements.

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK m	Share capital	Treasury shares	Dividend	Retained earnings	Total
<b>Equity as at 1 January 2017</b>	<b>30.0</b>	<b>0.0</b>	<b>90.3</b>	<b>423.5</b>	<b>543.8</b>
Paid dividend	-	-	-90.3	-	-90.3
Profit/loss for the financial year	-	-	-	89.7	89.7
Proposed dividend for the financial year	-	-	90.3	-90.3	0.0
Exchange differences for the year in translation of foreign operations	-	-	-	14.8	14.8
<b>Equity as at 31 December 2017</b>	<b>30.0</b>	<b>0.0</b>	<b>90.3</b>	<b>437.7</b>	<b>558.0</b>

SEK m	Share capital	Treasury shares	Dividend	Retained earnings	Total
<b>Equity as at 1 January 2018</b>	<b>30.0</b>	<b>0.0</b>	<b>90.3</b>	<b>437.7</b>	<b>558.0</b>
Paid dividend	-	-	-90.3	-	-90.3
Repurchased own shares	-	-0.8	-	-	-0.8
Profit/loss for the financial year	-	-	-	93.5	93.5
Proposed dividend for the financial year	-	-	96.3	-96.3	0.0
Exchange differences for the year in translation of foreign operations	-	-	-	22.4	22.4
<b>Equity as at 31 December 2018</b>	<b>30.0</b>	<b>-0.8</b>	<b>96.3</b>	<b>457.3</b>	<b>582.8</b>

### NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting principles are the same as last year.

The parent company's financial statements are prepared according to the Danish Financial Statements Act applying to entities in reporting class D.

Investment in subsidiaries are measured at cost.

Nordic Waterproofing Holding A/S applies an exemption whereby the parent company is not required to prepare a separate cash flow statement. See the consolidated cash flow statement for the Group.

For other accounting principles refer to note 1 and to the Accounting policies in the notes for the consolidated financial statements.

### NOTE 2 TAXES

SEK m	2018	2017
<b>Current tax expense (-) / tax revenue (+)</b>		
Tax expense for the period	3.1	2.9
Adjustment of tax attributable to earlier years	0.0	0.0
	3.1	2.9
<b>Deferred tax expense (-) / tax revenue (+)</b>		
Deferred tax for temporary differences	0.0	0.0
Deferred tax resulting from changes in tax rates	0.0	0.0
	0.0	0.0
<b>Total reported tax expense</b>	<b>3.1</b>	<b>2.9</b>

### NOTE 3 INVESTMENTS IN SUBSIDIARIES

SEK m	2018	2017
<b>Accumulated cost</b>		
Opening balance, 1 January	523.6	509.4
Exchange-rate differences for the year	21.0	14.2
<b>Closing balance, 31 December</b>	<b>544.6</b>	<b>523.6</b>

#### Holdings in subsidiaries

Refer to note 13 in the notes for the consolidated financial statements. Dividend received from subsidiaries are recognized as financial income in the profit and loss statement.

Nordic Waterproofing Holding A/S holds 100 percent of the shares in Nordic Waterproofing Group 1 AB, which had a result for 2018 of SEK 84.4 m (85.4) and a shareholders equity at 31 December 2018 of SEK 656.1 m (676.7).

### NOTE 4 RELATED PARTIES

Nordic Waterproofing Holding A/S is the Parent Company in the Group. The Parent Company is a Danish company with CVR number 33395361 domiciled in Vejen.

The address of the company's registered office is Vester Allé 1, 6600 Vejen, Denmark, while the address of the Group's operational head office is Drottninggatan 11, 252 21 Helsingborg, Sweden.

The following capital owners are listed in the company's shareholders' register as owners of at least 5 percent of the votes or the capital:

Mawer Investment Management, Calgary, Canada  
 Svolder, Stockholm, Sweden  
 Swedbank Robur Funds, Stockholm, Sweden  
 Carnegie Funds, Stockholm, Sweden  
 Catella Funds, Stockholm, Sweden  
 Länsförsäkringar Funds, Stockholm, Sweden

**NOTE 5 EQUITY**

	2018	2017
<b>Stated in number of shares</b>		
Issued as at 1 January	24,083,935	24,083,935
<b>Issued as at 31 December – paid</b>	<b>24,083,935</b>	<b>24,083,935</b>
<b>Number of shares by class:</b>		
Class A shares	24,083,935	24,083,935
<b>Total</b>	<b>24,083,935</b>	<b>24,083,935</b>

All shares have a quotient value of DKK 1.00 (1.00).

Holders of ordinary shares are entitled to dividends determined in arrears and the shareholding entitles to voting rights at the General Meeting with one vote per share.

**NOTE 6 PROPOSED DISTRIBUTION OF PROFIT**

SEK m	2018	2017
Proposed dividends	96.3	90.3
Retained earnings	-2.8	-0.6
<b>Total</b>	<b>93.5</b>	<b>89.7</b>

**NOTE 7 CONTINGENT LIABILITIES****Contingent liabilities**

The parent company is jointly liable, together with the other Danish group companies, for tax payments relating to the jointly taxed income as well as other Danish withholding taxes in the form of tax on dividends, royalty and interest. Nordic Waterproofing Holding A/S is the administration company in relation to the joint taxation.

**NOTE 8 AUDIT FEES AND EXPENSES**

SEK m	2018	2017
<b>PwC</b>		
Statutory audit	0.5	0.5
Other assurance services	0.3	0.3
Tax consulting	0.0	0.0
Other services	0.7	0.4
<b>Total</b>	<b>1.5</b>	<b>1.2</b>

Non-statutory services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab SEK 1.0 m (0.7) consist of review of quarterly report, accounting advice related to acquisitions and general accounting advice.

**NOTE 9 EVENTS AFTER THE REPORTING DATE**

Refer to note 38 Events after the reporting date in the notes for the consolidated financial statements.



# STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Nordic Waterproofing Holding A/S for the financial year 1 January–31 December 2018.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements

Act. Management's Review has been prepared in accordance with the Danish disclosure requirements for listed companies.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 January–31 December 2018.

In our opinion, Management's Review gives a true and fair statement of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Vejen, 2 April 2019

EXECUTIVE BOARD

Martin Ellis  
*President and CEO*

THE BOARD OF DIRECTORS

Ulf Gundemark  
*Chairman*

Allan Lindhard Jørgensen

Mats O. Paulsson

Jørgen Jensen

Riitta Palomäki

Kristina Willgård

# INDEPENDENT AUDITOR'S REPORT

To the shareholders of Nordic Waterproofing Holding A/S

## OUR OPINION

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2018 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2018 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

## What we have audited

The Consolidated Financial Statements of Nordic Waterproofing Holding A/S for the financial year 1 January to 31 December 2018 comprise the consolidated statement of profit or loss and consolidated statement of comprehensive income, the consolidated statement of financial position, the

consolidated statement of cash flows, the consolidated statement of changes in equity and the notes, including summary of significant accounting policies.

The Parent Company Financial Statements of Nordic Waterproofing Holding A/S for the financial year 1 January to 31 December 2018 comprise the profit or loss statement, the statement of financial position, the statement of changes in equity and the notes, including summary of significant accounting policies.

Collectively referred to as the "Financial Statements".

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

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

## Independence

We are independent of the Group in accordance with the International Ethics

Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

## Appointment

Following the admission of the shares of Nordic Waterproofing Holding A/S for listing on Nasdaq Stockholm, we were first appointed auditors of Nordic Waterproofing Holding A/S on 27 April 2017. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 2 years including the financial year 2018.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2018. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Goodwill and other intangible assets</b></p> <p>The Group has recognized intangible assets totaling SEK 975 million at December 31 2018, comprising goodwill of SEK 879 million, customer relationships of SEK 69 million, software of SEK 8 million and other of SEK 19 million.</p> <p>Goodwill is tested annually for impairment. Other intangible assets are assessed for impairment annually, and if indicators exist, an impairment test is performed.</p> <p>The assessment of the carrying values of intangible assets is dependent on future cash flows and if these are below initial expectations, there is a risk that the assets will be impaired. The reviews of carrying values performed by the Group contain a number of significant judgements and estimates such as sales growth, prices on input goods and discount rates.</p> <p>We focused on this area because the impairment assessments of these assets are dependent on complex and subjective judgements by Management.</p> <p>Refer to Note 17 (Intangible assets).</p>	<p>In addressing the risk, we considered the appropriateness of Management defined cash-generating units (CGUs) within the business. We assessed whether there were factors requiring Management to change their classification since the prior reporting period.</p> <p>We assessed whether the models applied by Management to calculate the value in use of the individual cash-generating units comply with the requirements of IFRS. We recalculated the model to ensure mathematical accuracy.</p> <p>We assessed the appropriateness of the discount rates applied and underlying assumptions and discussed Management judgement, as relevant.</p> <p>We performed our own sensitivity analysis around key estimates to ascertain the extent of change in those assumptions that either individually or collectively would be required for the intangible assets to be impaired.</p> <p>We assessed the Group's disclosures of the quantitative and qualitative considerations by comparing these disclosures to our understanding of the matter.</p>
<p><b>Contingent liabilities</b></p> <p>On 31 May 2017 the Danish Competition Council decided that Nordic Waterproofing A/S, Icopal Danmark A/S, Danske Tagpapfabrikanters Brancheforening and TOR had violated the Danish Competition Act. Nordic Waterproofing A/S and the other parties disputed the Council's decision and brought the case before the Danish Competition Appeals Board.</p> <p>On 12 September 2018, the Appeals Board decided to remit the case to the Council for re-evaluation.</p> <p>The Competition Council has still not decided whether the case will be re-opened or finally closed. According, at present, it is not possible to predict if the case will be re-opened or, in that case, what the final outcome will be.</p> <p>The initial decision by the Competition Council has resulted in two civil law proceedings raising claims. However, both proceedings have been suspended to await the Council's decision.</p> <p>The outcome of the case cannot be predicted with certainty, but a decision that goes against the company's expectations could have an adverse effect on the consolidated financial position and results of operations and cash flows.</p> <p>We focused on this area, because of the significant level of judgement and uncertainty related to this contingent liability.</p> <p>Refer to Note 35 (Contingent liabilities).</p>	<p>We inquired with both Management and financial staff in respect of the potential risks related to the competition case, inspected relevant correspondence, inspected the minutes of the meetings of the Audit Committee and Board of Directors, requested external legal confirmation letter and obtained a representation letter from the Management.</p> <p>We assessed the disclosure regarding contingent liabilities as contained in Note 35 (Contingent liabilities).</p> <p>We used professional skepticism by challenging Management's judgement comparing responses to our inquiries with relevant correspondence, other audit evidence obtained and our general knowledge of the Group and its activities.</p>

**STATEMENT ON MANAGEMENT'S REVIEW**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so,

consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.



## MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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 Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements

applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, 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 opinion. 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 internal control relevant to the 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company'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 Financial Statements or, if such disclosures are inadequate, to modify our opinion. 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 the Group or the

Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Vejle, 2 April 2019

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no 33 77 12 31

Lars Almskou Ohmeyer  
State Authorised Public Accountant  
mne24817

Morten Elbæk Jensen  
State Authorised Public Accountant  
mne27737

# FINANCIAL DEFINITIONS

## Key performance indicator according to IFRS

### EARNINGS PER SHARE

Profit after tax for the period attributable to Parent Company shareholders divided by the average number of outstanding shares for the period.

## Key performance indicators not defined according to IFRS

### CAPITAL EMPLOYED

Total assets less non-interestbearing provisions and liabilities.

### EBIT

Operating profit.

### EBIT MARGIN

EBIT as a percentage of net sales.

### EBITDA

Operating profit before depreciation, amortization and impairment of tangible and intangible assets.

### EBITDA MARGIN

Operating profit before depreciation, amortization and impairment of tangible and intangible assets as a percentage of net sales.

### EQUITY/ASSETS RATIO

Shareholders' equity, including non-controlling interests, as a percentage of total assets.

### FTE

Full Time Equivalent.

### GROSS MARGIN

Gross profit as a percentage of net sales.

### INTEREST COVER RATIO

Profit after net financial items plus interest expenses in relation to interest expenses.

### ITEMS AFFECTING COMPARABILITY

Statement items that are non-recurring, have a significant impact on profit and therefore constitute important adjustments for understanding the underlying development of operations.

### NET DEBT

Interest-bearing liabilities less cash and cash equivalents.

### NET DEBT/EBITDA BEFORE ITEMS AFFECTING COMPARABILITY

Net debt in relation to EBITDA before items affecting comparability.

### NET DEBT/EQUITY RATIO

Net debt in relation to shareholders equity.

### OPERATING CASH CONVERSION

Operating cash flow as a percentage of EBITDA before items affecting comparability for the period.

### OPERATING CASH FLOW

EBITDA before items affecting comparability plus dividends from associated companies, less cash flow related from investments intangible and intangible assets, cash flow from changes in working capital and income from associated companies.

### ORGANIC GROWTH

Net sales growth adjusted for enterprises acquired and sold off and any exchange rate changes. No adjustments have been made for number of working days.

### R12

The last recent twelve months/rolling twelve-month period.

### RETURN ON CAPITAL EMPLOYED

EBIT as a percentage of average capital employed, calculated as the average of the period's opening and closing balances.

### RETURN ON CAPITAL EMPLOYED BEFORE ITEMS AFFECTING COMPARABILITY

Operating profit (EBIT) before items affecting comparability as a percentage of average capital employed, calculated as the average of the period's opening and closing balances.

### RETURN ON CAPITAL EMPLOYED BEFORE ITEMS AFFECTING COMPARABILITY AND EXCLUDING GOODWILL

Operating profit (EBIT) before items affecting comparability as a percentage of average capital employed, excluding goodwill, calculated as the average of the period's opening and closing balances.

### RETURN ON SHAREHOLDERS' EQUITY

Profit after tax attributable to Parent Company shareholders as a percentage of average shareholders' equity, excluding non-controlling interests.

### RETURN ON SHAREHOLDERS' EQUITY BEFORE ITEMS AFFECTING COMPARABILITY

Profit after tax attributable to Parent Company shareholders including reversed items affecting comparability as a percentage of average capital employed, excluding non-controlling interests.

# GLOSSARY

### BIM (Building Information Modeling)

BIM is a process of creating and using an intelligent 3D model to inform and convey project decisions. BIM solutions can project, visualize, simulate and collaborate, resulting in greater clarity for all stakeholders throughout the life cycle of the project. BIM makes it easier to achieve project and business goals.

### BITUMEN

Bitumen, also known as asphalt, is a sticky, black and highly viscous liquid or semi-solid form of petroleum which constitutes the waterproofing component in roof felt.

### EPDM

EPDM rubber (ethylene propylene diene monomer M-class rubber) a type of

synthetic rubber, is an elastomer characterized by a wide range of applications.

### FLAT ROOF

Roofing with a gradient of less than approximately 14°.

### FTE

Full Time Equivalent.

### PITCHED-ROOF

Roofing with a gradient of more than approximately 14°.

### PVC

Polyvinyl chloride is the world's third-most widely produced synthetic plastic polymer, after polyethylene and polypropylene. PVC

comes in two basic forms: rigid (sometimes abbreviated as RPVC) and flexible.

### SBS

Styrene-Butadiene-Styrene, an elastomeric compound which is added to bitumen to increase the flow characteristics and improves the low-temperature flexibility and fatigue resistance of roof felt.

### TPO

Thermoplastic olefin (TPO), or olefinic thermoplastic elastomers refer to polymer/filler blends usually consisting of some fraction of a thermoplastic, an elastomer or rubber, and a filler.

# NORDIC WATERPROOFING ON THE INTERNET, IN YOUR MOBILE AND ON YOUR TABLET

Keep track of Nordic Waterproofing's performance via the Group's website at [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com).

## ANNUAL REPORT

Nordic Waterproofing only distributes a paper version of the Annual Report to those who have specifically requested a copy. If you wish to receive a paper copy of the Annual Report, it can be ordered on the company's website.

## NEWS ABOUT PRODUCTS AND SOLUTIONS

At [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com) you can follow the development and successes of the various products and solutions that we offer our customers.

## SUBSCRIBE TO INFORMATION

Via e-mail, you can choose to subscribe to our financial reports, press releases and share information.

## FINANCIAL PRESENTATIONS – WATCH LIVE ON DEMAND

Watch presentations in conjunction with quarterly reports or other events. The majority of presentations can be followed live or watched later on our website.

## FINANCIAL CALENDAR 2019

Week commencing 1 April	Annual Report 2018
24 April	Annual General Meeting
2 May	Interim Report, January–March 2019
25 July	Interim Report, January–June 2019
31 October	Interim Report, January–September 2019

Nordic Waterproofing Holding A/S is a Danish public limited liability company domiciled in Vejen, Denmark. Corporate registration number: 33395361. LEI code: 549300EJEXC4K0SUI651. The Group's operational headquarters are in Helsingborg, Sweden.

The Annual Report is published in Swedish and English. The English language version is the original and in the case of discrepancies between the versions, the English version shall prevail. The printed version of the Annual Report is only distributed to shareholders who request a copy. The Annual Report is also available in its entirety at the company's website [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com). The 2018 Annual Report was published in April 2019.

All values are expressed in Swedish kronor. Kronor is abbreviated to SEK and millions of kronor to SEK million. Unless otherwise stated, figures in parentheses relate to the preceding financial year, 2017.

This report contains future-oriented information based on Nordic Waterproofing's current expectations. No guarantee can be provided that these expectations will prove correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, change in the regulatory environment and other government actions, fluctuations in exchange rates and other factors.

This annual report was produced in collaboration with RHR/CC in Malmö, Sweden.

## INFORMATION ABOUT ANNUAL GENERAL MEETING 2019

The Annual General Meeting of Nordic Waterproofing Holding A/S will take place on Wednesday, 24 April at 11:00 a.m., at Radisson Blu Metropol Hotel, Carl Krooks gata 16, Helsingborg, Sweden.

## PROGRAMME

- 10:00 a.m. Registration and light refreshments
- 11:00 a.m. Annual General Meeting commences

## NOTIFICATION TO ATTEND THE ANNUAL GENERAL MEETING

The complete notification convening the Annual General Meeting will be available on the company's website [www.nordicwaterproofing.com/en/shareholder-meetings/](http://www.nordicwaterproofing.com/en/shareholder-meetings/).

To participate in the meeting and to be able to exercise their voting rights, shareholders must be included in the share register maintained by VP Securities A/S by Wednesday, 17 April 2019 at the latest, and notify the company of their intention to participate by the same date.

Shareholders who have registered their shares with a trustee must have temporarily registered their shares in their own name by Wednesday, 17 April 2019.

Please note that specific information applies to shareholders who hold their shares through Euroclear Sweden AB.

## PROPOSALS TO ANNUAL GENERAL MEETING 2019

The Board of Directors and the CEO propose that shareholders be paid a cash dividend of SEK 4.00 per share (3.75). Friday, 26 April 2019 is proposed as the record date for the dividend. If the Annual General Meeting resolves in accordance with the proposal, the dividend is expected to be distributed by Euroclear Sweden AB on Thursday, 2 May 2019.

Nordic Waterproofing is one of the leading providers in the waterproofing market in northern Europe. The Company provides high-quality products and solutions for waterproofing in Sweden, Finland, Denmark, Norway, Belgium, the Netherlands, Poland, the United Kingdom, Germany and Latvia. Nordic Waterproofing also provides installation services through wholly-owned subsidiaries in Finland and through part-owned franchise companies in Denmark. The Company markets its products and solutions under several brands, all with an extensive heritage, most of which are among the most established and well-recognized brands in waterproofing in their respective markets, such as Matak, Trebolit, Phønix Tag Materialer, Kerabit, Nortett, RVT, SealEco, SPT-Painting, Taasinge Elementer and Veg Tech. Nordic Waterproofing is listed in the Mid Cap segment on Nasdaq Stockholm with the stock ticker NWG. In 2018, the Group had revenues of SEK 2,680 m, with 1,033 employees and operations in 10 countries.

# NORDIC WATERPROOFING

NORDIC WATERPROOFING HOLDING A/S. COMPANY REG. NO. 33395361  
DROTTNINGGATAN 11, SE-252 21 HELSINGBORG, SWEDEN  
[WWW.NORDICWATERPROOFING.COM](http://WWW.NORDICWATERPROOFING.COM)