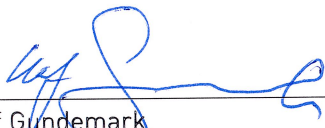


# ANNUAL REPORT 2017

## NORDIC WATERPROOFING HOLDING A/S

CVR nr. 33 39 53 61

The Annual Report has been presented and adopted at the Annual General Meeting of the Company on 20 April 2018



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Ulf Gundemark  
Chairman of the Annual General Meeting

# Waterproofing products and services for buildings and infrastructure



**NORDIC**   
**WATERPROOFING**  
*We make waterproofing easy*

## CONTENTS

2017 in brief .....	1
Statement by the President and CEO Martin Ellis.....	2
Business concept, targets and target achievement.....	4
Strategies that safeguard customer satisfaction and growth .....	6
Group in summary .....	10
Five-year overview .....	13
Business model for the future.....	14
Operating segment Products & Solutions.....	16
Operating segment Installation Services .....	18
Research and development .....	19
Production, purchasing and logistics .....	20
Leading Nordic player.....	22
Distribution and sales channels .....	24
Decentralized organization close to customers .....	26
Sustainable behaviour generates added values .....	28
Risks and risk management.....	30
Corporate governance .....	32
Board.....	38
Group Management .....	40
The Nordic Waterproofing share .....	42
Management review.....	45
<b>FINANCIAL INFORMATION .....</b>	<b>47-78</b>
Consolidated comprehensive income statement	48
Consolidated balance sheet .....	49
Consolidated cash flow statement .....	50
Consolidated changes in shareholders' equity ..	51
Notes to the consolidated financial statements	52
Parent company income statement.....	76
Parent company balance sheet .....	76
Parent company changes in shareholders' equity .....	77
Assurance by Group Management and the Board of Directors' .....	79
Audit report.....	80
Financial definitions and glossary.....	84
Shareholder information .....	85

# LEADING IN THE NORDIC WATERPROOFING MARKET

Nordic Waterproofing is a Northern European market leader. 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.

A BROAD PORTFOLIO OF PRODUCTS AND SOLUTIONS  
DISTRIBUTED BETWEEN TWO SEGMENTS:



### PRODUCTS & SOLUTIONS

69%

OF NET SALES FOR 2017\*

87%

OF EBIT BEFORE ITEMS AFFECTING  
COMPARABILITY IN 2017\*



### INSTALLATION SERVICES

31%

OF NET SALES FOR 2017\*

13%

OF EBIT BEFORE ITEMS AFFECTING  
COMPARABILITY IN 2017\*

\* Excluding intra-Group sales and earnings.

The "Solhuset" kindergarten in Hørsholm, Denmark is an exciting combination of appealing architecture and integrated energy design that provides a unique environment for both children and adults.

With an area of 1,300m<sup>2</sup>, the property has been constructed based on an "Overactive House" concept. 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 while the building produces a surplus of energy. Taasinge Elementer has supplied different solutions for roof and wall components for Solhuset.



PROFESSIONAL AND ESTABLISHED BRANDS  
WITH QUALITY AS THE FOREMOST FEATURE

**NORTETT**



**AL-KATOT OY**

**Kerabit**



**Hetag**  
Tagdekning

**SPT Painting Oy**  
FLOORING SYSTEMS

**SPT Painting Oy**  
FLOORING SYSTEMS

**MATAKI**



**Taasinge Elementer**  
Smart thinking, smart building



**KerabitPro**



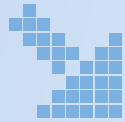
# 2017 IN BRIEF

+21%



2017 was an excellent year for Nordic Waterproofing, with record sales growth and delivering on external growth commitment. Net sales rose by 21 percent to SEK 2,187 million (1,813).

-7%



Operating profit (EBIT) before items affecting comparability for the full-year 2017 decreased by 7 percent (+23) to SEK 208 million (224). Operating margin before items affecting comparability decreased to 9.5 percent (12.3).

+5%



Organic growth was 5 percent for 2017.

-12%

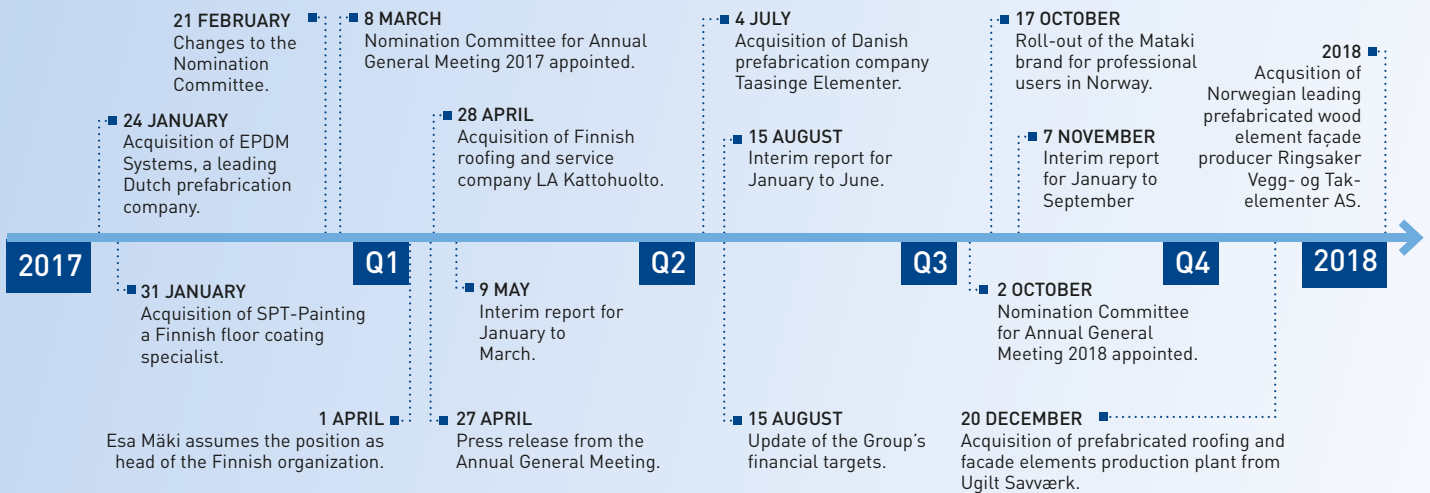


Earnings per share for the full-year 2017 were SEK 5.71 (6.49), a decrease of 12 percent.

SEK 3.75

The Board of Directors will propose that the Annual General Meeting on 20 April 2018 resolve to pay out a cash dividend of SEK 3.75 (3.75) per share, totalling SEK 90 million (90). This corresponds to about 66 percent of net profit.

## IMPORTANT EVENTS 2017



## NORDIC WATERPROOFING AS AN INVESTMENT

- We are a market-leading supplier of waterproofing products, solutions and installation services. Read more about market positions on page 22–23.
- We have a history of improving profitability and have the potential to achieve further profitability improvements. Read more about the strategies on pages 6–9.
- We have strong and stable cash flow with good dividend capacity. Read more about the dividend policy on page 42 and comments on the cash flow statement on page 50.
- The average number of full-time employees amounts to 830. The Group 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. Read the presentation of Group Management on page 40.

# A YEAR OF STRONG GROWTH AND SUCCESSFUL ACQUISITIONS

I am proud to report that our Group has in 2017 increased sales by 21 percent over the previous year, thus achieving the highest growth rate in our history. In addition to our organic sales growth of 5 percent, we successfully implemented our strategy of selective acquisitions, delivering on our commitment to develop our business through both internal and external growth, in both our operating segments.

OUR GROUP HAS IN 2017 INCREASED SALES BY 21 PERCENT OVER THE PREVIOUS YEAR, THUS ACHIEVING THE HIGHEST GROWTH RATE IN OUR HISTORY.”

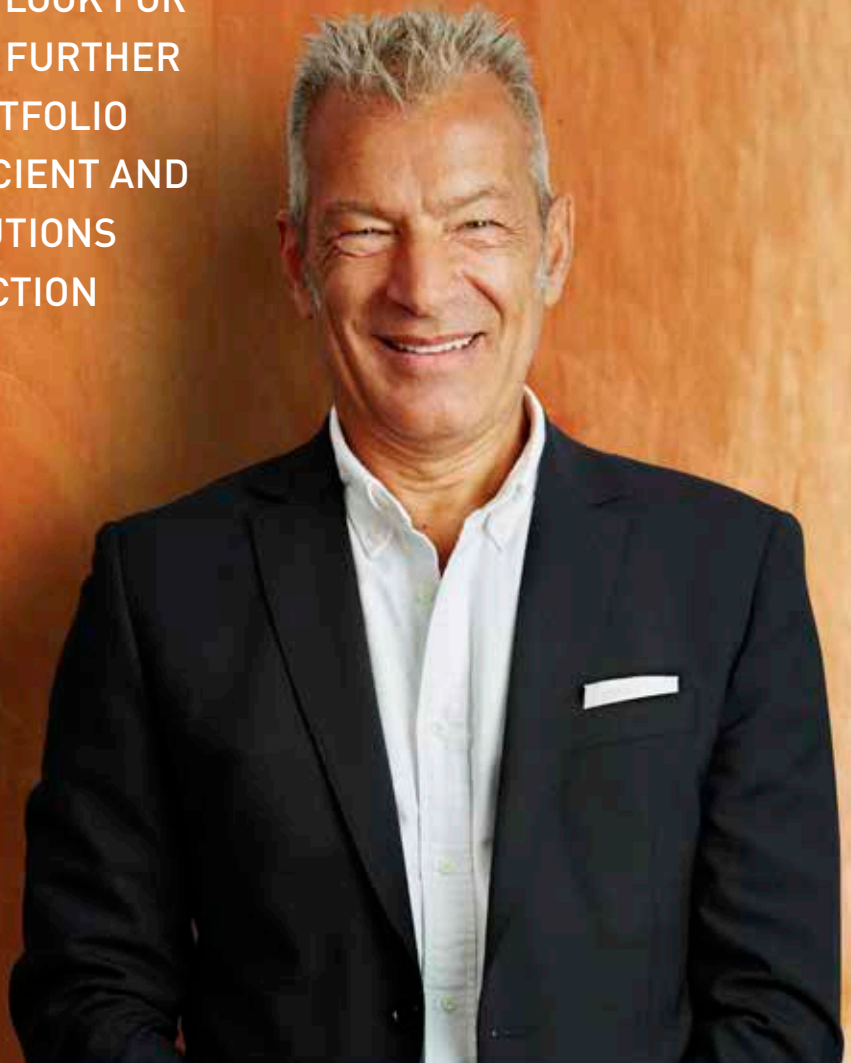
## 2017 IN NUMBERS

Net sales increased to SEK 2,187 million (1,813), while operating profit (EBIT) before items affecting comparability decreased slightly to SEK 208 million (224). Overall operating margin was 9.5 percent (12.3). The year was challenged by increased raw material prices compared with the exceptionally favorable situation in 2016. Our own sales price increases resulted in a net positive effect in the fourth quarter, but did not fully offset the effect of the increased raw material costs for the full year. Earnings per share for the full-year of 2017 were SEK 5.71 (6.49). The lower operating cash flow of SEK 164 million (211) is temporary, being mainly due to the effect on working capital of strong activity at the end of the year. The Board of Directors therefore proposes an unchanged dividend of SEK 3.75 per share.

## SUCCESSFUL ACQUISITIONS

Since our last Annual Report we have made four acquisitions, two in 2017 and two in the beginning of 2018. The new members of our Group all match the focus we have set in our acquisition strategy: downstream integration for increased exposure to the end customers, enhanced product and services portfolios for our existing customers, and portfolio diversification with potential for geographic leverage. LA Kattohuolto in Finland provides roof cleaning and maintenance services, Taasinge Elementer is the leading provider of sophisticated prefabricated wood based elements for roofs and facades in Denmark. In the beginning of 2018, Taasinge acquired Ugilt in Denmark and Ringsaker Vegg- og Takelementer in Norway. Both companies offer similar solutions as Taasinge. Their integration into

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



our Group is an important step towards developing our prefabrication business into a Northern European market leader.

Our strong balance sheet creates continued significant acquisition potential to further extend our products and services offer. We draw confidence from our good track record in integrating our recent acquisitions, since all acquired companies have so far performed better than expected at the time of acquisition. Going forward, widening and enhancing our products and services offer with new product categories will make Nordic Waterproofing increasingly a one stop shop opportunity for customers seeking comprehensive solutions for the protection of buildings and infrastructure. We intend to maintain our focus on small to medium sized companies presenting good synergistic potential with our legacy business.

#### FOCUS ON SUSTAINABILITY

The acquisition of Taasinge Elementer and their wood based prefabricated elements has allowed us to demonstrate our focus on promoting renewable resources in our product and services portfolio. We continuously look for opportunities to further enhance our portfolio with energy efficient and sustainable solutions for the construction industry.

#### CONCLUSION

2017 has been an exciting year for our Group, and I would like to take this opportunity to thank all our customers for their trust and support, and all my colleagues in Nordic Waterproofing for their precious contribution to another successful year.

*Martin Ellis*  
President and CEO of  
Nordic Waterproofing Holding A/S

OUR STRONG BALANCE SHEET CREATES CONTINUED SIGNIFICANT ACQUISITION POTENTIAL TO FURTHER EXTEND OUR PRODUCTS AND SERVICES OFFER.”

# OUR PROMISE: WE MAKE WATER- PROOFING EASY

## BUSINESS CONCEPT

Nordic Waterproofing develops, manufactures and distributes innovative products and solutions for sealing, 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 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 we do everything we can to maintain it. In order to maintain this trust we take responsibility for ensuring our product development, services and customer relations are characterized by first class reliability.

*Efficiency*

We are a large organisation, with a well developed, flexible and efficient logistics system. We also have the little company's characteristics. This is because we have created, and actively maintain, a simple structure which we operate within. 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.



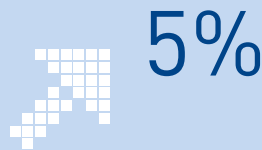
## OUR TARGETS

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.

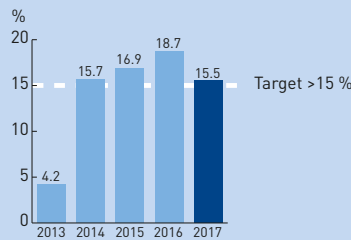


## OUTCOME 2017

Consolidated net sales increased by 21 percent to SEK 2,187 million (1,813), of which organic growth amounted to 5 percent.

## PROFITABILITY >15 %

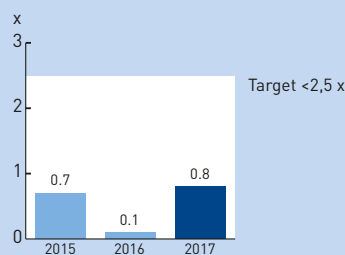
Nordic Waterproofing's goal is to generate a return on capital employed (ROCE) before items affecting comparability exceeding 15 percent.



Return on capital employed for 2017 decreased by 3.2 percent and amounted to 15.5 percent, while the operating margin before items affecting comparability was 9.5 percent (12.3).

## CAPITAL STRUCTURE <2.5 x

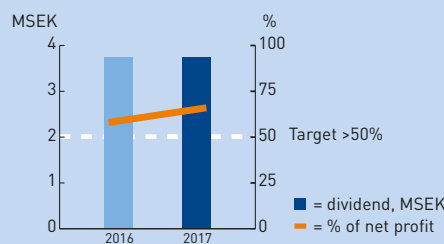
Net debt in relation to EBITDA before items affecting comparability (R12M basis), excluding temporary deviations, shall not exceed a multiple of 2.5.



At the end of 2017, indebtedness, calculated as interest-bearing net debt/EBITDA before items affecting comparability over the past 12-month period, was a multiple of 0.8 (0.1) and net debt/equity was a multiple of 0.2 (0.0).

## 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 to the Annual General Meeting on 20 April 2018 to resolve to pay out a cash dividend of SEK 3.75 (3.75) per share, a total of SEK 90 million. This corresponds to about 66 percent of net profit.

# STRATEGIC TARGETS

Apart from 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:

- Forward integration to increase exposure to end customers.
- 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.

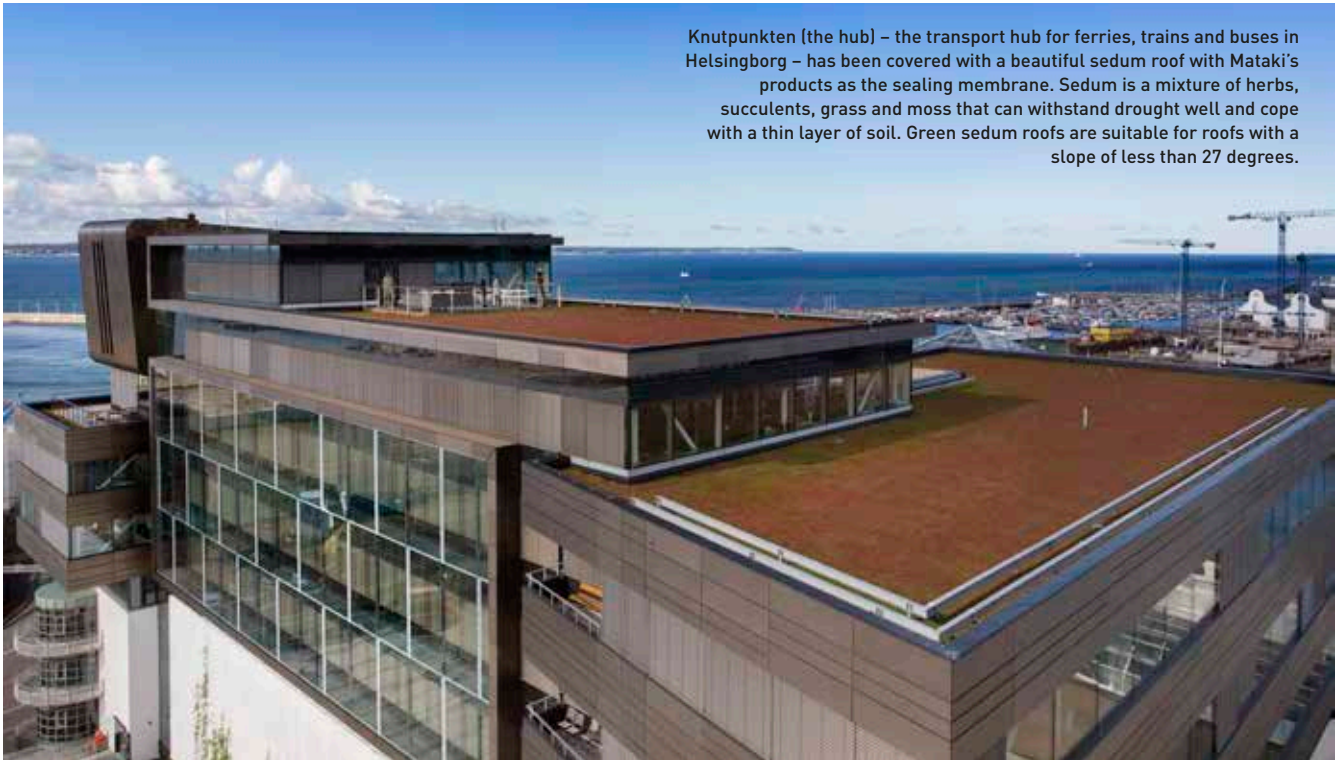
By widening and enhancing our products and services with new product categories, we foresee that the Group will increasingly become a one stop shop opportunity for customers seeking comprehensive solutions for building and infrastructure protection.

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



# STRATEGIES THAT SAFEGUARD CUSTOMER SATISFACTION AND GROWTH

Our proximity to customers in each local market is strategically important. With a decentralized organizational format, Nordic Waterproofing as a group offers a broad and strong brand portfolio, and a range of products and services adapted to local standards and preferences. The following characteristics are shared by the Group's brands and offerings.



Knutpunkten (the hub) – the transport hub for ferries, trains and buses in Helsingborg – has been covered with a beautiful sedum roof with Mataki's products as the sealing membrane. 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.

## REMAIN CLOSE TO THE CUSTOMER

Closeness to the customer is a strategic priority achieved through a decentralized organization with business units focusing on efficient production and logistics solutions. Being close to customers ensures that we understand their present and future needs. Local production optimizes the Group's accessibility, combining responsiveness and customized logistics.

Our proprietary installation operations in Finland and franchise operators in Denmark are vital for maintaining an understanding of market demand and end customers' requirements.

## CONTINUOUSLY IMPROVE AND EXPAND THE PRODUCT AND SERVICE RANGE

The Group strives to meet expectations across the entire value chain – product development, production, marketing and sales, distribution, and installation and services. This includes excelling in:

- Being competitive and attractive as a provider of turnkey solutions for waterproofing.
- Providing the entire spectrum of products needed by our customers for the protection of buildings and infrastructure.
- Emphasizing environmentally innovative and energy-efficient solutions.

- Continuously developing competitive products and solutions with a particular focus on ease of installation and environmental friendliness.
- Offering complete maintenance contracts for roofs.
- Further optimization of formulations and productivity enhancement.

## PROCUREMENT

We utilize economies of scale at the Group level in procuring the Group's principal raw materials and business-critical offerings such as distribution. These measures are aimed at safeguarding the gross margin and that prices are only increased when necessary.

## “CLOSE CUSTOMER RELATIONSHIPS AND COMPLEMENTARY ACQUISITIONS WILL STRENGTHEN THE GROUP AND GENERATE GROWTH.”

### ORGANIC GROWTH

Organic growth is possible by:

- Continuously focusing on operational excellence, on suppliers, negotiations, contracting frameworks and on changes in the use of raw materials.
- Maintaining high product quality.
- Benefiting from the successes in Sweden, Denmark and Finland in Norway, a market that the Group entered in 2012 through the acquisition of Nortett Bygg.
- Reinforcing the EPDM platform in relevant European markets
- Continuing to strengthen the position in the principal markets by broadening the product portfolio and expanding within the segments.

### ACQUISITION-DRIVEN GROWTH

We have extensive experience of identifying, acquiring and integrating units. The Group will continue to focus on opportunities in selected markets in the perimeter of the Nordic region and north of Europe, preferably through bolt-on acquisitions that: enhance the Group’s position in existing markets; bring expansion into new markets; and/or add new skills and expertise, products, solutions and services. Synergies can thus be realized by centralizing functions, such as

procurement, purchasing and administration, along with sharing experience.

We seek acquisition targets with one or more of the following characteristics:

- A strong position in Nordic Waterproofing’s principal markets and/or adjacent markets.
- A European EPDM distributor or prefabricator.
- Offering complementary product ranges.
- An attractive valuation.

### COMPLEMENTARY AND STRENGTHENING ACQUISITIONS

During the 2017 financial year, the Group has made four acquisitions that each have strengthened the Group’s position in its most important markets, with expansion in both products and segments: EPDM Systems of the Netherlands, LA Kattohuolto and SPT-Painting of Finland, and Taasinge Elementer of Denmark. Prefabrication specialist Taasinge Elementer is the largest acquisition, improving our knowledge of, and our ability to deliver within, “the building envelope concept” that encompasses comprehensive solutions, including floors and walls, for the protection of buildings and infrastructure. This is an area in which Nordic Waterproofing intends to continue to grow and expand its offering.

Taasinge Elementer’s prefabricated components are produced in dry, technically suitable indoor facilities. With the finished components, contractors are able to quickly waterproof buildings, entailing fewer transports and, thus, simplified logistics to construction sites, enabling work on the interior to commence sooner.

The acquisition of Taasinge Elementer represents an important step in Nordic Waterproofing’s strategy to strengthen and expand the Group’s position as a leader in sealing and building protection.

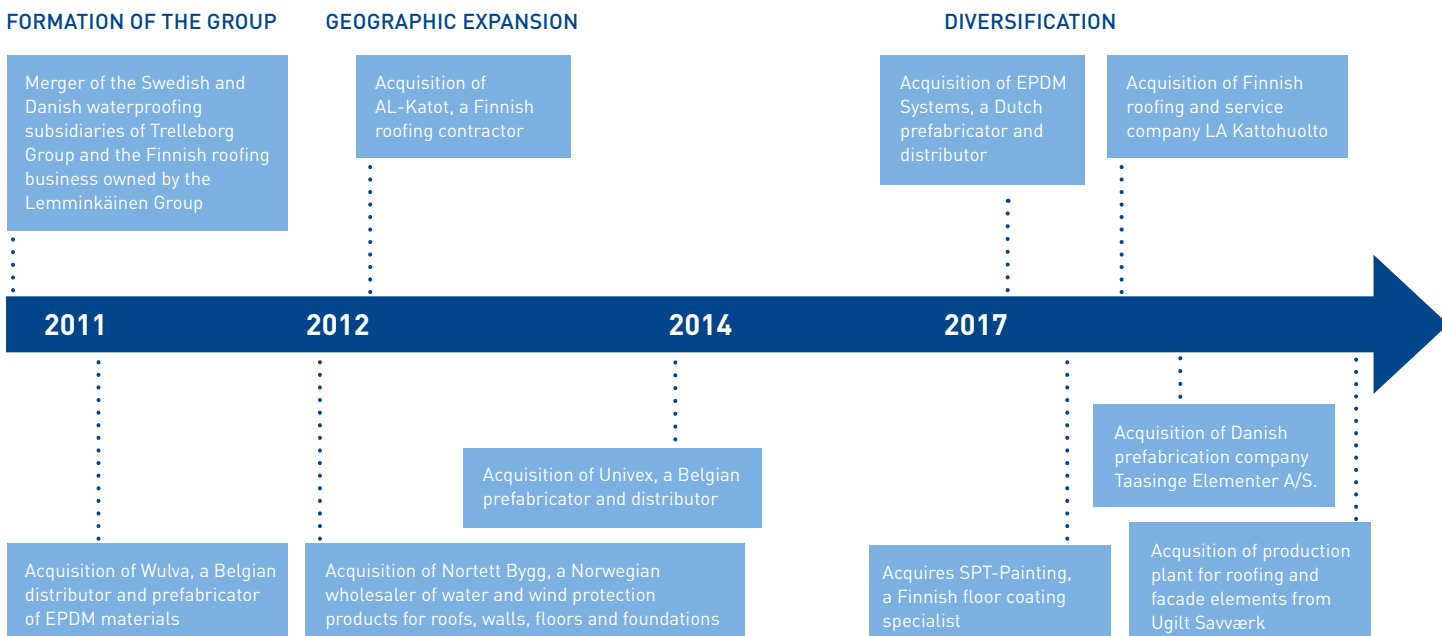
The acquisition also means that we are participating in significant trends in system offerings and prefabrication, as well as granting us direct access to principal contractors and architects in the area. Overall, the acquisition differentiates our product and service portfolio from that of our competitors.

The Group assesses there to be favourable opportunities to establish Taasinge Elementer’s product range and manufacturing skills in the other Nordic countries, where demand for prefabricated items is growing due to increasing construction volumes and the need for cost-effective and time-efficient comprehensive solutions.

Nordic Waterproofing’s geographical footprint enables Taasinge Elementer to expand effectively beyond Denmark, which is its principal market.

### HISTORY AND ACQUISITIONS

Nordic Waterproofing has a history of acquisitions of established businesses and brands.





## ACQUISITION TAASINGE ELEMENTER:

# 100% CUSTOMIZED FOR AN EFFICIENT CONSTRUCTION PROCESS

A widely used concept in the construction sector today is “the building envelope”, that is, the design of the exterior of the building. A modern “building envelope” entails using materials for the construction of exterior walls, floors and ceilings that are climate-adapted, structurally light, easy to assemble and aesthetically pleasing. The acquisition of Taasinge Elementer is a good example of how Nordic Waterproofing is strengthening its offering with comprehensive solutions for the protection of the entire building.

Taasinge Elementer holds a strong market-position in the Danish market for prefabrication of roofs and facades with high quality requirements. The key to success is the company’s knowledge of materials and customer-specific products with flat elements, including facades, ceilings and floors.

### A MAJOR STEP IN OUR STRATEGY

The acquisition of Taasinge Elementer represents a major step in our strategy of providing comprehensive solutions for the protection of buildings and infrastructure.

Taasinge Elementer has extensive knowledge of sealing membranes and

solutions for roofs and facades, where Nordic Waterproofing’s products are also used.

We see good prospects for expanding our customer base in Denmark and exporting Taasinge Elementer’s product range and manufacturing skills to the other Nordic countries where Nordic Waterproofing operates.

### 100 PERCENT CUSTOMIZED

Technology and flexibility are important factors as ever more customer categories progress from structures built on-site to prefabricated elements constructed in a controlled environment.

Using 3D-based information technology and a knowledge of virtually all structure types, all Taasinge Elementer’s products can be tailored to optimally suit a specific project. The company’s 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, including financial advice for the various options. Taasinge Elementer’s facilities are based on flexible production technology and on integrated logistics solutions supplying customers.



The "Solhuset" kindergarten in Hørsholm, Denmark has an area of 1,300 m<sup>2</sup> and was constructed based on an "Overactive House" concept. Several different construction companies worked together to develop a building that meets all of the requirements that can be imposed on a positive environment for children, at the same time as the building produces a surplus of energy. Taasinge Elementer has supplied different solutions for roof and wall components for Solhuset.

“FLEXIBILITY IS A KEY WORD FOR US. WE DEVELOP PRODUCTS IN CLOSE DIALOGUE WITH DEVELOPERS AND ARCHITECTS TO JOINTLY ARRIVE AT THE BEST DESIGN AND SOLUTION. OR AS WE USUALLY EXPRESS IT – WE SELL 1% COMPONENTS AND 99% KNOW-HOW!”

Martin Tholstrup,  
Managing Director, Taasinge Elementer

#### SUSTAINABILITY IN PRACTICE

Taasinge Elementer has a clear sustainability focus, which includes energy savings, intelligent logistics solutions and construction technologies of the future.

The core of Taasinge Elementer's components is wood, a renewable resource, carbon neutral, easy to handle through all stages of production, including waste management.

**TAASINGE ELEMENTER A/S, Denmark**  
MD: Martin Tholstrup  
Number of employees: 180

In July 2017, Nordic Waterproofing acquired 80 percent of the shares in Taasinge Elementer A/S. The remaining shares are owned by the company's CEO and production manager. Since July, the company has been consolidated in the Products & Solutions operating segment.

Taasinge Elementer has developed well in recent years. Customers include independent larger contractors that primarily construct commercial buildings, schools and multiple-family dwellings. As part of Nordic Waterproofing, the company's growth in the Nordic countries will continue.

Taasinge Elementer's sales for 2017 amounted to SEK 179 million, an increase of 30 percent compared with the previous year.

#### OTHER ACQUISITIONS IN 2017

##### EPDM SYSTEMS/SEALECO, Netherlands

MD: Edwin van Dijk  
Number of employees: 29

In January 2017, Nordic Waterproofing acquired the majority stake in EPDM Systems B.V, a company that offers a complete portfolio of EPDM products. The company has been integrated into the SealEco business unit and consolidated since 1 January 2017 within the operating segment Products & Solutions.

“For our company, 2017 was an intensive year. A few days after completion the acquisition, we chose to be clear to the market, demonstrating that we are now part of SealEco. This changed our conditions, increased our market share and strengthened commitment among all employees, which resulted in our being able to report external sales of SEK 108 million for 2017, an increase of 12 percent compared with the preceding year.”

Edwin van Dijk

##### SPT-PAINTING OY, Finland

MD: Harri Vesterinen  
Number of employees: 26

At the end of January 2017, Nordic Waterproofing Finland acquired all of the shares in SPT-Painting Oy. SPT-Painting operates in the fast-growing market for sealing membranes for floors, also known as "coatings", and supplies floor installation services to customers in the construction, industrial and shipbuilding segments. The company has been consolidated into the operating segment Products & Solutions in Finland since 1 February 2017.

“Our objective, now and in the future, is to ensure that the company evolves into a comprehensive partner in liquid sealing membranes for floors, and to generate value for the customer, with high quality in all products and services. As part of Nordic Waterproofing, we have had the opportunity to expand our business by accelerating our plans and entering new geographic markets. In 2017, our sales increased by 26 percent, from SEK 83 million to SEK 104 million.”

Harri Vesterinen

##### LA KATTOHUOLTO, Finland

MD: Jukka Vasalampi  
Number of employees: 4

At the end of April 2017, Nordic Waterproofing acquired all of the shares in the Finnish roof and service company LA Kattohuolto. The acquisition of LA Kattohuolto strengthens the Group's market position, partly through its geographic presence, and partly through its wide range of services, which target the consumer market (owners of single-family dwellings and leisure homes), which can be offered to customers of other companies within the Installation Services operating segment. Since 1 May 2017, the company has been part of the Installation Services operating segment.

Nordic Waterproofing is the market leader in installation services in Finland and the acquired LA Kattohuolto contributed with sales of SEK 20 million during its first eight months as part of Nordic Waterproofing.

“In a short space of time, LA Kattohuolto has developed into a qualified player with a good range of products and appreciated services.”

Jukka Vasalampi

GROUP SUMMARY:

# FOCUS ON PROFITABLE GROWTH

**In August 2017, Nordic Waterproofing announced a new financial target**

Yes, in August the Board of Directors updated the Group's profitability target, with the new target being linked to capital efficiency and the targeted return on capital employed (ROCE) exceeding 15 percent before items affecting comparability. This target level is analogous to the previous EBIT margin target of at least 10 percent, which has been replaced. We believe in our business model with the two segments Products & Solutions and Installation Services, and the new profitability target better reflects profitability in the two segments which are characterised by very different capital intensity. Products & Solutions thus requires significantly higher return on sales than Installation Services to achieve the same level of return on investment. Profitability, efficient use of capital and increasing shareholder value are at the core of what we do.

**Could you describe the seasonality of the business?**

Nordic Waterproofing's business is affected by seasonal variations – the months of January, February and December being the weakest months. In 2017, 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 in the winter months is explained by cold and challenging 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 to 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. Seasonal variations affect EBIT and the EBIT margin to the same extent as sales.

**What did growth look like?**

Organic growth for the Group amounted to 5 percent in 2017. The operating segment Products & Solutions showed 3 percent and Installation Services showed 9 percent organic growth. In addition, acquisitions contributed by 15 percent. Accordingly, we at Nordic Waterproofing delivered on our commitment to expand our business through both internal and external growth.

**Can you comment on the margin trend?**

Following many years of increased margins, the margins decreased in 2017. Prices for one of our principal raw materials (SBS) were highly volatile and rose rapidly over the second quarter. Although they stabilized in the third quarter, prices remained at a higher level compared with the preceding year. The effects were primarily visible in the income statement for the third quarter, as increased sales prices did not fully offset the increased raw material prices. It is also important to remember that 2016 was helped by exceptionally low prices for our principal raw materials.

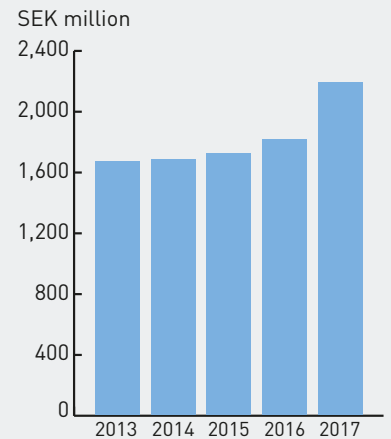
**Could you comment on the operating cash flow?**

Operating cash flow amounted to SEK 164 m (211) entailing an operating cash conversion of 66 percent (85). The lower cash flow is due to temporarily higher Inventory levels at the end of the year in order to fulfil delivery commitments in early 2018, but also due to higher receivables for on-going installation service projects due to a high level of activity at the end of the year. Accordingly, cash flow was postponed to later periods.

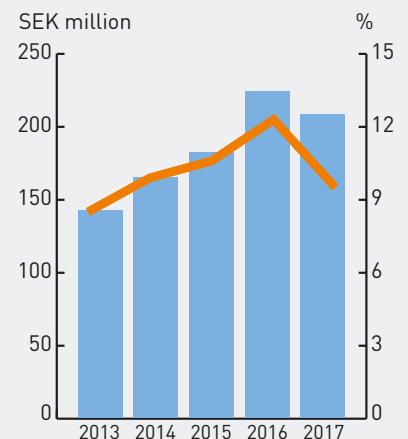
Jonas Olin, CFO



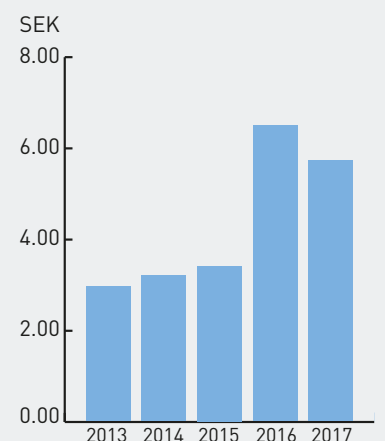
NET SALES



EBIT BEFORE ITEMS AFFECTING COMPARABILITY AND EBIT MARGIN



EARNINGS PER SHARE



## FINANCIAL KEY RATIOS

SEK MILLION	2017	2016
Sales	2,187	1,813
of which organic growth	5%	5%
of which structural change	15%	0%
of which currency translation effects	1%	0%
EBITDA before items affecting comparability	248	248
EBITDA margin before items affecting comparability	11.3%	13.7%
EBIT before items affecting comparability	208	224
EBIT margin before items affecting comparability	9.5%	12.3%
Items affecting comparability	-14	-17
Operating profit (EBIT)	194	206
Operating margin (EBIT)	8.9%	11.4%
Net profit	138	156
Earnings per share before and after dilution	5.71	6.49
Operating cash flow	164	211
Operating cash conversion	66%	85%

## Sales definitions

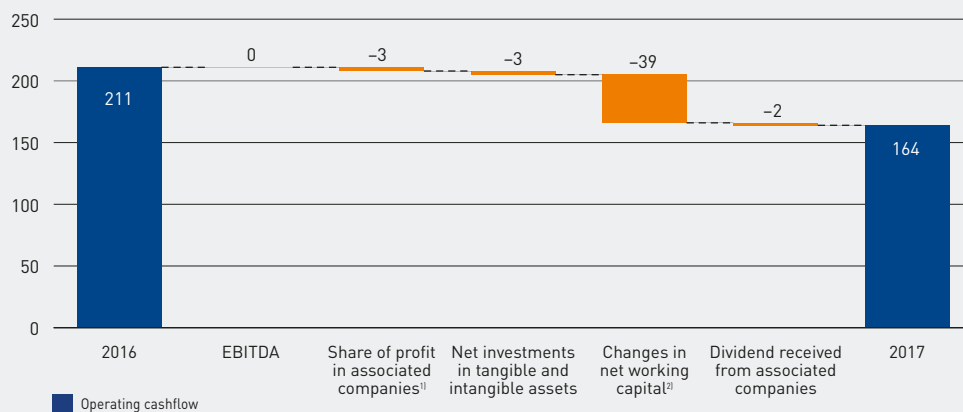
**Organic growth:** Change in net sales excluding acquisition-driven growth and changes in exchange rates.

**Structural change:** Net change in sales resulting from changes in Group structure (acquisitions).

**Currency translation effects:** Net change in sales resulting from changes in exchange rates on consolidation.

## CHANGE IN OPERATING CASH FLOW 2017 COMPARED WITH 2016

SEK million



<sup>1)</sup> Non-cash item which is included in EBITDA.

<sup>2)</sup> Excluding items affecting comparability.

## EBITDA, EBIT AND IFRS ACCOUNTING RULES

In 2017, Nordic Waterproofing has grown substantially through acquisitions. The acquisitions have contributed by adding 15 percent net sales to the Group. 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 have been identified and estimated in most acquisitions, which are amortized over 5–7 years. The acquired order book in Taasinge Elementer is amortized over its delivery time, estimated

to 12 months at the time of acquisition. Therefore, EBITDA better reflects the underlying operations considering the many acquisitions made during 2017.

In 2017, EBITDA before items affecting comparability was unchanged and amounted to SEK 248 m, while EBIT before items affecting comparability amounted to SEK 208 m (224).



# FIVE-YEAR OVERVIEW

## CONSOLIDATED FINANCIAL REVIEW

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

Profit/loss SEKm unless otherwise stated	2017	Change	2016	2015	2014	2013
Net sales	2,187	21%	1,813	1,720	1,679	1,668
EBITDA	234	1%	231	165	143	141
EBITDA before items affecting comparability	248	0%	248	204	187	161
Operating profit (EBIT)	194	-6%	206	143	122	122
Operating profit (EBIT) before items affecting comparability	208	-7%	224	182	165	142
Net financial items	-20	48%	-13	-27	-25	-30
Profit/loss for the year before tax	174	-10%	193	116	96	92
Tax on profit/loss for the year	-37	-1%	-37	-34	-19	-21
Net profit/loss for the year	138	-12%	156	82	77	71
Earnings per share, SEK/share	5.71	-12%	6.49	3.40	3.19	2.95
<b>Balance sheet, SEKm</b>						
Total assets	1,756	12%	1,568	1,345	1,345	1,238
Net investments in property, plant and equipment	20	100%	10	27	15	24
Capital employed	1,370	4%	1,317	1,071	1,083	1,021
Capital employed excluding goodwill	637	-9%	701	472	469	431
Equity	1,010	5%	964	748	683	596
Net interest-bearing debt	204	718%	25	141	259	361
<b>Cash flows, SEKm</b>						
- from operating activities	126	-2%	128	153	158	85
- from investing activities	-159	n/a	-19	-29	-20	-16
- from financing activities	-140	n/a	31	-75	-61	-51
Total cash flow for the period	-173	n/a	140	49	78	18
Operating cash flow	164	-22%	211	197	189	133
<b>Ratios</b>						
EBITDA margin before items affecting comparability	11.3%	-2.3pp	13.7%	11.9%	11.1%	9.6%
EBIT margin before items affecting comparability	9.5%	-2.8pp	12.3%	10.6%	9.9%	8.5%
Operating cash conversion	66%	-19pp	85%	97%	101%	83%
Net debt/EBITDA before items affecting comparability, multiple	0.8x	0.7x	0.1x	0.7x	1.4x	2.2x
Net debt/equity ratio, multiple	0.2x	0.2x	0.0x	0.2x	0.4x	0.6x
Solvency: equity/assets ratio	57%	-4pp	61%	56%	51%	48%
Return on shareholders' equity	13.9%	-4.3pp	18.2%	11.4%	12.1%	12.7%
Return on capital employed	14.4%	-2.9pp	17.3%	13.2%	11.5%	12.2%
Return on capital employed before items affecting comparability	15.5%	-3.3pp	18.7%	16.9%	15.7%	14.2%
Return on capital employed before items affecting comparability excluding goodwill	31.0%	-7.1pp	38.1%	38.7%	36.8%	34.4%
Number of employees, FTE	830	200	630	634	644	635



# BUSINESS MODEL FOR THE FUTURE A CLOSE BUSINESS PARTNER

Nordic Waterproofing has a position as a quality supplier, which, with professional and established brands, offers extensive product guarantees.

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



## STRONG BRANDS

Strong brands grow over time and provide a stable platform for profitable growth.

Several brands join forces within Nordic Waterproofing. What they have in common is their strong position in their local markets through close relationships with customers and partners, as well as their day-to-day focus on delivering on their promises of reliability, superior quality and effective solutions.

The brand portfolio is dynamic, meaning that a brand targeting a particular type of end customer in its geographic home market can target other types of end customers in adjacent geographic markets.

Our brand portfolio includes several of the most established and well-known brands in both the Nordic and European markets, including Mataki (Sweden and Norway), Trebolit (Sweden and Finland), Phønix Tag Materialer (Denmark), Hetag

(Denmark), Kerabit (Finland), Nortett (Norway), SealEco (established brand in Belgium, the Netherlands, Poland, the UK and Germany, but with sales throughout Europe), Taasinge Elementer (Denmark) and the Finnish brands AL-Katot, LA Kattohuolto and SPT-Painting.

Marketing initiative decisions are taken at the local level so as to be tailored to local preferences, behaviours and channel strategies.

The Group's strategy is to manage and develop these reputable brands with high product quality combined with partner programmes and training courses, as well as technical services.

## STRONG BRANDS DIVIDED INTO TWO SEGMENTS

PRODUCTS & SOLUTIONS

INSTALLATION SERVICES

## RELATIONSHIPS THROUGH TRAINING

We build long-term relationships with our customers and roofing installers by providing training for professional installers and retailers. This provides feedback on products and possible improvements, although building relationships and loyalty is even more important.



Having passed a course, the installer becomes approved for Nordic Waterproofing's products. This can, in turn, be used as a differentiator by customers as their guarantee period can be extended when having a Nordic Waterproofing product installed by a qualified installer.

#### SALES

The Group's sales are organized to best be adapted to local standards and to strengthen important customer relationships. The sales force is the Group's third-largest personnel category, engaging 163 employees. Most sales agreements are signed at local level.

Sales in other markets are managed by local partners, and retailers.

#### CUSTOMER SERVICE

The Group's sales staff and order department maintains a continuous dialogue with customers to increase the understanding and ensure that their needs are met in terms of scheduled and future deliveries.

#### EXTENSIVE PRESENCE IN EACH SALES CHANNEL

The market is reached through two sales channels, direct sales and builders merchants.

Distribution channels vary depending on product complexity and on local laws and standards in each country. Flat roofing products are marketed via direct sales, due to the fact that they impose higher demands on advanced installation. Pitched roofing and building products, such as protective membranes, are mainly sold via the builders merchants.

The Group's own contracting operations and partnerships are important complementary sales channels.

#### BROAD AND DIVERSIFIED CUSTOMER BASE

A highly diversified customer base leads to low customer risk and dependency, in addition to the large customer base with long-lasting customer relationships. Many small recurring orders from numerous customers provide stable cash flow.

#### BROADENED COORDINATION THROUGH DIGITAL CHANNELS

Increasingly, customers and users are reached via digital channels. One example of making waterproofing easy for DIY customers is the QR-code on roofing felt packaging sold by builders' merchants.

This QR-code leads to instructional videos on the Internet through smartphone apps, for both DIY-customers and professionals, containing assembly instructions and product information.

Another example is the Phønix Tag Materials Tagdækker app™, which has made it easier for roofers to perform accurate quality assurance. As work is completed, the roofer takes pictures with his smartphone and can add comments. The app automatically collects the documentation into a PDF that can be forwarded to the developer.

#### FROM ORDER TO REVENUE

All of our customer agreements are signed at the local level. Accordingly, customers with operations in more than one country generally have relationships with more than one business unit.

## OPERATING SEGMENT: PRODUCTS &amp; SOLUTIONS

# COMPREHENSIVE SOLUTIONS

## FOR PROTECTION OF BUILDINGS AND INFRASTRUCTURE

In our operating segment Products & Solutions, we primarily offer roofing products and solutions produced in-house, but also products produced by subcontractors, such as plastic sheeting, foundations and moisture barriers, to complement the Group's proprietary products.

Through the acquisition of the prefabrication specialist Taasinge Elementer we gain access to a fast-growing market for customized wooden roof and facade components. This represents an important step in the Group's strategy to offer comprehensive solutions for protection of buildings and infrastructure.

### STRONG SALES ARGUMENTS

Our key selling points are the following:

- Always close – short time between order and delivery matters.
- Keen listener – our customers opinion is important.
- Win-win partner – support to clients via services and training programs, helping them in their service and/or product deliveries.
- Quality supplier – in both the products properties as in the services provided.
- Guarantees – Nordic Waterproofing has an extensive guarantee programme.

### ROOFING PRODUCTS

The Group offers a broad range of roofing products that are adapted to different types

of roofing 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.

#### 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 with a life span of 40 years 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 installation companies. These products are sold through direct sales to installation companies.

#### 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.

The products are sold primarily to builders' merchants and are usually installed by private individuals and small construction companies or carpenters.

In Denmark, the products are mainly sold and installed by franchise companies jointly

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 sub-suppliers and often constitute an important factor in the complete solution.

Accessories are sold both through builders' merchants and 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.

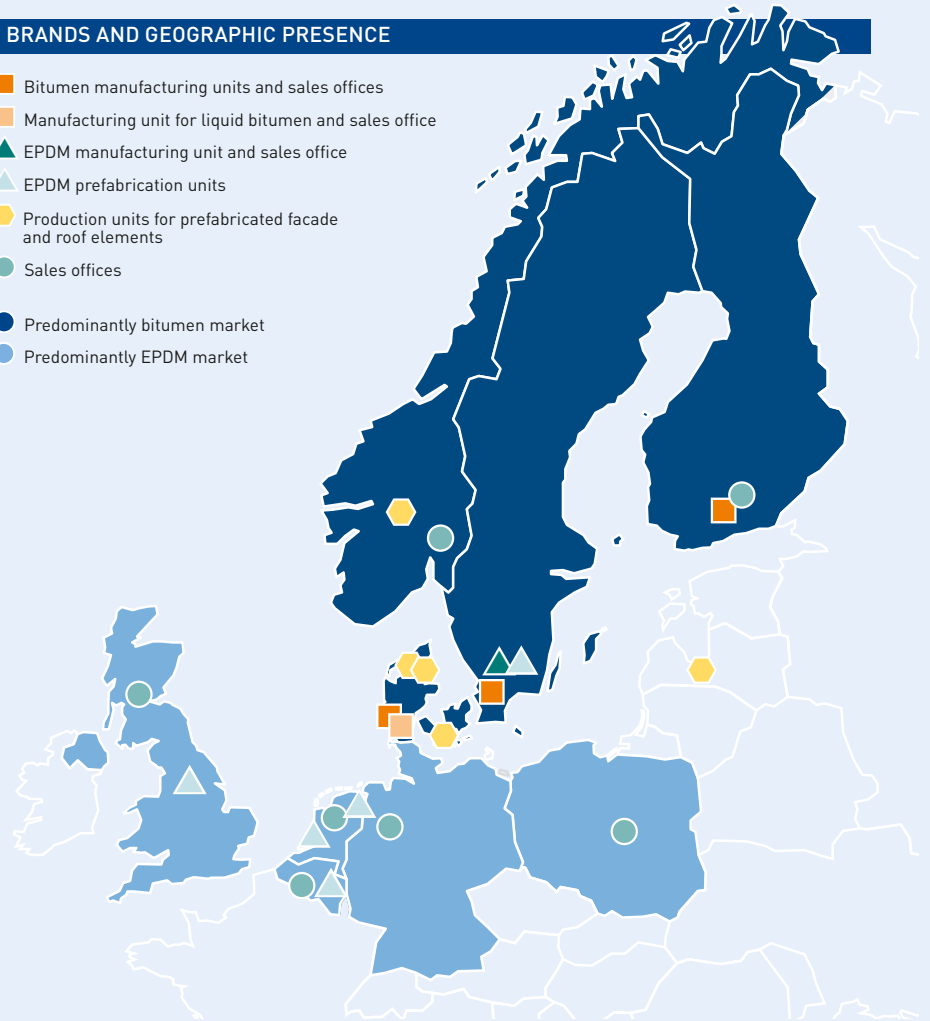
Nordic Waterproofing produces building products in-house, but also sells building products purchased from subcontractors and sold mainly under the Group's own brands.

Building products are sold and marketed under the Group's brands primarily to builders' merchants in the Nordic region.



**BRANDS AND 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



**PREFABRICATED ROOF, FLOOR AND WALL COMPONENTS**

Prefabricated components include customer-specific products with flat components, including facades, ceilings 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, as well as through centralized procurement processes.

**RUBBER MEMBRANES**

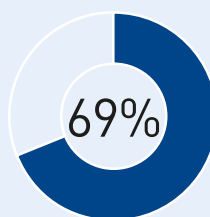
Rubber membranes of EPDM are intended to be used primarily for the waterproofing of roofs, facades and foundations. The product range consists of airtight, sound-proof and waterproof systems providing long-term environmental efficiency and energy savings for up to 50 years. Since the products are primarily tailored to customers needs at prefabrication units, they are produced in various types, based on their thickness and mix of materials, for example.

The products are sold primarily to customers in, Belgium, Germany, the Netherlands, Poland, Sweden and the UK.

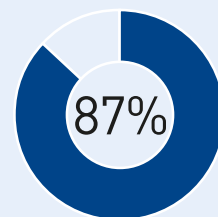
**KEY FIGURES PRODUCTS & SOLUTIONS, SEK MILLION**

	2017	2016
Net sales	1,568	1,341
EBITDA before items affecting comparability	239	243
Operating profit (EBIT) before items affecting comparability	205	221
Number of employees (FTE)	413	319

NET SALES, SHARE OF GROUP, 2017\*



OPERATING PROFIT (EBIT) BEFORE ITEMS AFFECTING COMPARABILITY, 2017\*



\* Excluding intra-Group sales and earnings.

## OPERATING SEGMENT: INSTALLATION SERVICES

# ADAPTED INSTALLATION WITH OWN STAFF OR IN COOPERATION WITH FRANCHISEE

In Denmark, installation of Nordic Waterproofing's products is offered through independent franchisees and in Finland sales are conducted through proprietary subsidiaries.

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.

#### 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 under-

standing 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.

#### INSTALLATION OF DOMESTICALLY PRODUCED PRODUCTS 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.

#### MINORITY-OWNED FRANCHISE COMPANIES IN DENMARK

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

#### FAST-GROWING IN SEALING MEMBRANES FOR FLOORS

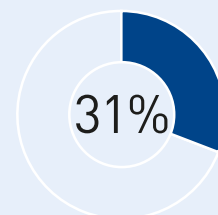
In 2017, the Group acquired the Finnish company SPT-Painting, which operates within the fast-growing market for liquid sealing membranes and coverings for floors, also known as "coatings", and supplies floor installation services to customers in the construction, shipbuilding and industrial segments.

KEY FIGURES INSTALLATION SERVICES, SEK million	2017	2016
Net sales <sup>1)</sup>	714	560
EBITDA before items affecting comparability <sup>2)</sup>	36	30
Operating profit (EBIT) before items affecting comparability <sup>2)</sup>	31	29
Number of employees (FTE)	407	303

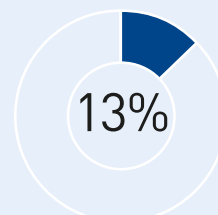
1) Sales do not include the Danish franchise companies.

2) Including share of profit in associated companies' (Danish franchise companies).

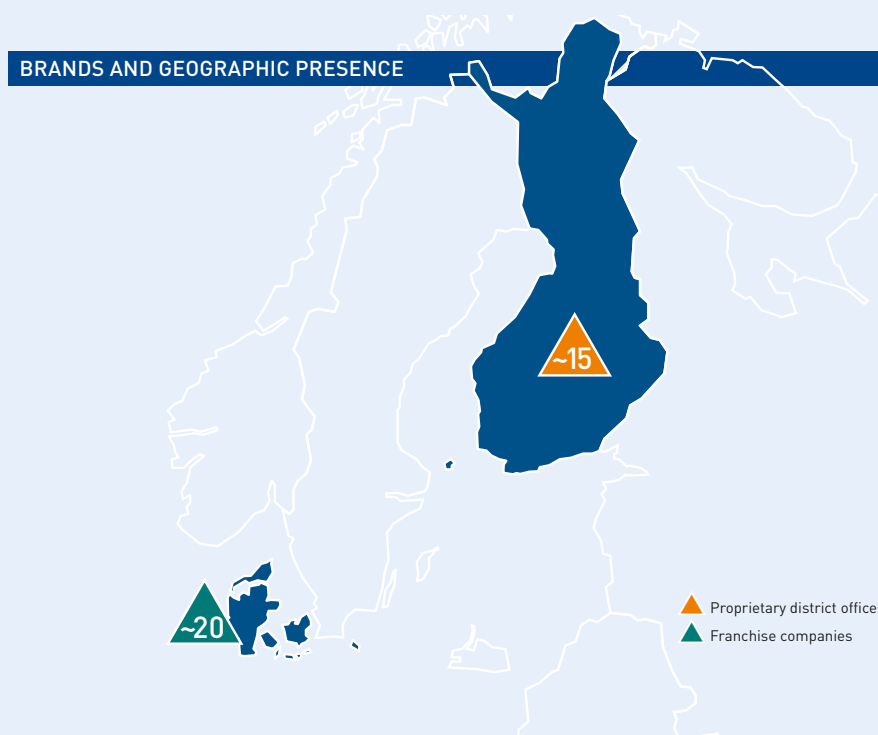
#### NET SALES, SHARE OF GROUP, 2017\*



#### OPERATING PROFIT (EBIT) BEFORE ITEMS AFFECTING COMPARABILITY SHARE OF GROUP, 2017\*



\* Excluding intra-Group sales and earnings.



# RESEARCH AND DEVELOPMENT FOCUS ON SAFETY, SIMPLICITY AND THE ENVIRONMENT

Products and solutions are continuously developed and improved within the Group, resulting in new solutions and building systems, focused on ease of installation and environmental awareness.

The development process is performed at both Group and business unit levels. Efforts are focused on developing new products and improving existing products and solutions, and conducting product and factory tests. The Group's product development unit is also responsible for quality assurance, certifications and patents.

The development process is based on trends and analyses of customer needs and requirements. In addition, product development initiatives are introduced that affect the Group as a whole. The development process is designed to encourage cooperation between the business units and includes sharing best practices with regard to recipe optimization, product improvements, materials efficiency and waste management, for example.

## EXAMPLES OF RECENT PRODUCTS AND SYSTEMS IN ROOFING AND WATERPROOFING

### RubberShell

RubberShell is a waterproofing product combining the favourable properties of EPDM and Bitumen.

### Shingle Easy

Shingle Easy is a new type of shingle with the advantage that installers do not need to remove release strips, allowing both quicker installation and less waste at the work site.

### Mataki Haloten Steel

Mataki Haloten Steel is a roofing underlay offering numerous advantages, including unique overlapping seams that give the overlying plate an even surface.

### Mataki POWER and Trebolit Elit

Complete hot air welding systems have been launched in Sweden and Norway. It meets high safety requirements in projects where an open flame would not be applicable.

### LESSNOX®

With Nordic Waterproofing's LESSNOX waterproofing, the amount of nitrogen oxides in the air can be reduced, improving air quality. Nitrogen oxides are converted into water-soluble nitrates.

### Haloproof radon systems

A system for protecting buildings, both new and existing, from radon. This is an entirely complete system that has SINTEF's technical approval and that is one of Norway's most widely used systems.

### Mataki Supersafe extra

Improved adhesion at low temperatures makes it easier to install this sealant even during colder periods.

### Nature Impact® Roof

Nature Impact® Roof is a unique systems solution for larger installations of green roofs.

Nordic Waterproofing's development departments work with material efficiency and identifying solutions with a lower environmental impact by, for example, using recycled materials or renewable raw materials.



# COORDINATION OF PRODUCTION, PURCHASING AND LOGISTICS

Automated production close to customers, centralized procurement that safeguards the availability of raw materials and cost control, along with efficient logistics, shortening customer lead times are success factors that both strengthen the customer offering and the Group's long-term profitability.

## PRODUCTION CLOSE TO CUSTOMERS

Production close to markets and customers represents an important part of the service offering. We manufacture products at production units in Denmark, Finland and Sweden, and at prefabrication units for EPDM-products in Belgium, the Netherlands the UK and Sweden.

### Simple and automated production process

The process is relatively automated with a limited level of labour intensity, meaning that labour accounts for a low proportion of production costs. The Group has good insight into the production process flow and continuously measures key ratios to streamline and improve production.

Examples of measures taken include the handling of residues and ensuring the thickness of bitumen products.

To ensure an efficient production process for bitumen membranes, a high level of expertise is required, combining continuous and small-scale efficiency measures, but also specific knowledge to produce the optimum mix of raw materials.

The Group owns the recipes for all of its bitumen and EPDM products. Ongoing optimization measures also form part of Nordic Waterproofing's intellectual property rights.

Production volumes are based on both projections and customer orders.

### Prefabricated rubber membranes

The rubber membrane prefabrication process is a value-adding process that embodies the product with unique qualities, making it possible to produce tailored

solutions to meet specific customer needs. Customized products are cut to the right size and welded together, enabling single -piece waterproofing to be used. The pieces are delivered directly from the Group's unit to the project, enabling quick, easy and safe installation. The prefabrication process is generally carried out in a factory under ideal conditions which, combined with improved quality control, ensures higher quality products and less spillage.

## PURCHASING BY BEST PRACTICE

The Group's purchasing is managed through a small central group that shares knowledge of market data and best practice together with the local units. Market-specific products and materials are purchased by the local purchasing functions in order to increase flexibility and ensure that local needs are met.

### Four key raw materials

Purchasing of the most important input materials – bitumen, polyester, EPDM and SBS – is coordinated at the Group level to achieve economies of scale and strengthen the Group's negotiating position.

### Supplier assurance

Nordic Waterproofing applies a two-supplier strategy and, accordingly, generally has at least one alternative to each subcontractor.

The price for bitumen, the foremost input product, is determined monthly as a function of oil prices, exchange rates for USD rate and a product surcharge. Pricing in the sealing market is affected by fluctuating commodity prices. Although there are opportunities to adjust prices to offset any

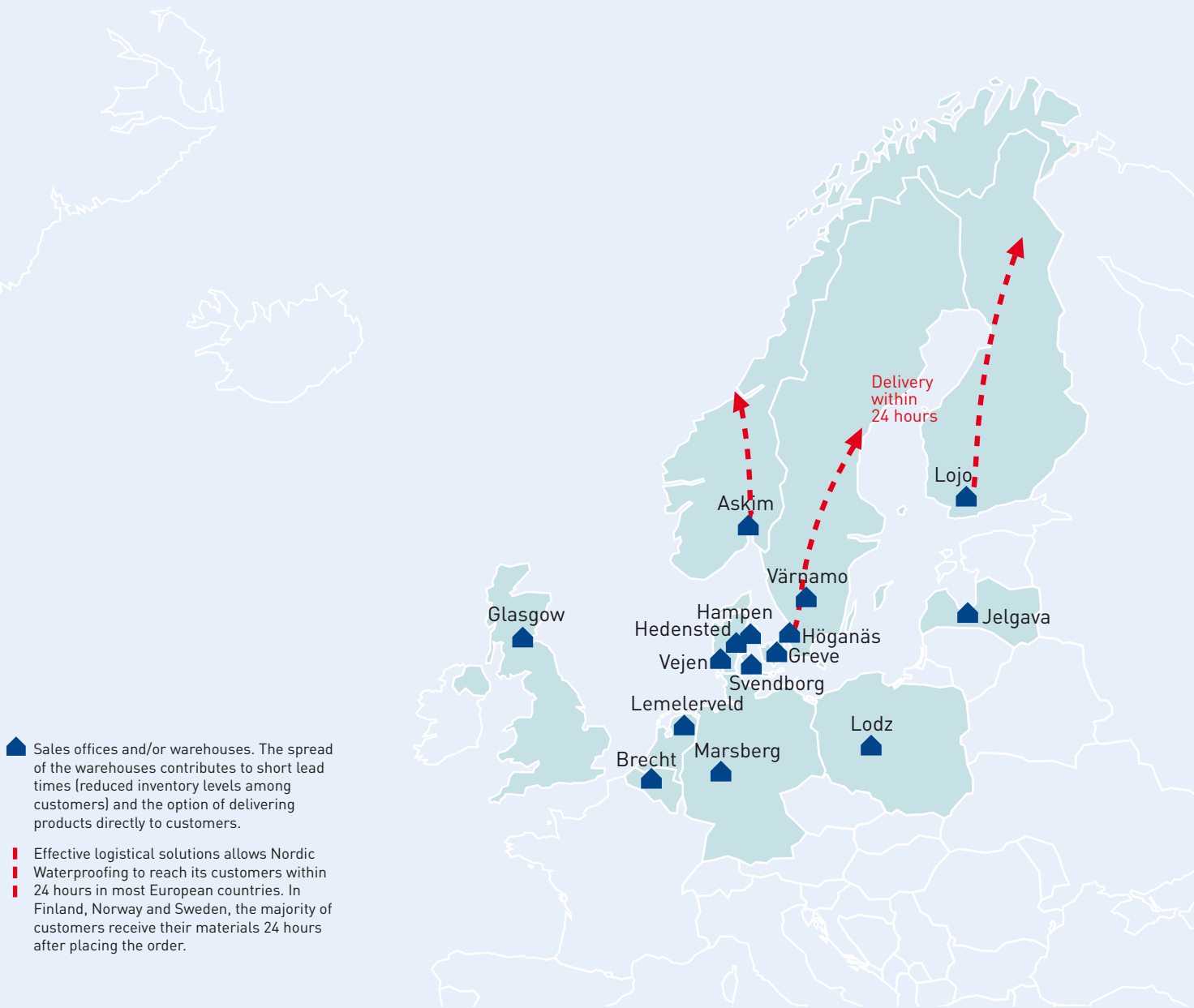
price increases on input products through agreements with customers, there may be a delay of up to nine months between the adjustment of the Group's purchasing price and the price to customers. Nordic Waterproofing hedges the price of bitumen for a period up to 24 months, to further reduce the risk of fluctuations in raw materials prices. Decisions on hedging and levels are taken according to a defined policy and reported to the Board on a monthly basis. Hedging exceeding six months must be approved by the Chairman of the Board.

The supplier base comprises companies with long-term relationships with the Group. In 2017, the largest supplier accounted for approximately 16 percent of the total costs of raw materials and, combined, the five largest suppliers accounted for approximately 49 percent.

Products manufactured by subcontractors primarily comprise various accessories complementing the Group's products and helping ensure that customers receive complete solutions. The range of products manufactured by subcontractors varies from market to market and includes plastic sheeting, foundations, moisture barriers and roof safety.

## LOW PROPORTION OF FIXED COSTS

The fixed costs for the Group's production amount to approximately 9 percent of the total production costs, while variable costs, which primarily relate to raw materials, amount to approximately 91 percent. Accordingly, the production model means that high capacity utilization is not crucial to achieving profitability.



- Sales offices and/or warehouses. The spread of the warehouses contributes to short lead times (reduced inventory levels among customers) and the option of delivering products directly to customers.
- Effective logistical solutions allows Nordic Waterproofing to reach its customers within 24 hours in most European countries. In Finland, Norway and Sweden, the majority of customers receive their materials 24 hours after placing the order.

## SHORT LEAD TIMES DECISIVE FOR CUSTOMERS

Efficient logistics are an important part of the service offering, since customers expect short lead times. Transport expenses for bitumen products are relatively high compared with product cost. Most products are delivered within a day. Local distribution platforms are connected to the production facilities which, combined with local production, provide cost benefits. The Group has strategically located sales offices and/or warehouses around northern Europe. The local distribution platforms contribute to short lead times, reduced inventories for customers and the option of delivering products directly to the customer’s site, which improves relations with customers and increases benefits for customers.

Inventories are managed internally by each business unit individually in order to facilitate planning, while transportation services are provided by external companies to ensure consistently short delivery times for products and solutions to customers.

The Group’s objective is to keep all products in stock to simplify and assure delivery in the case of orders placed late. Nordic Waterproofing is constantly seeking to streamline and improve its inventory management and logistics, and therefore regularly carries out various analyses to identify opportunities for improvement.

### PRODUCTION AND ASSEMBLY IN A SINGLE FLOW WITH NEW PRODUCTION TECHNOLOGY

Advanced logistics solutions and good awareness of customers’ production processes are important components of the customer offering when Taasinge Elementer delivers prefabricated elements built in controlled environments at proprietary factories in Denmark and Latvia.

Pre-assembled details, such as windows, electrical installations, insulation and seals, are in put in place already at the factory. At the same time, specific requirements are

imposed on logistics that safeguard “just-in-time” deliveries of the components in pace with the speed at which the construction companies assemble them. Efficient and flexible production, customer awareness, and advanced logistics solutions are therefore key factors for success. Taasinge Elementer offers good growth potential. With the current factory set-up, there is still room for considerable expansion of production capacity. Order bookings are strong, particularly in the company’s home market, Denmark. In addition, there are clear opportunities for exports to neighbouring countries, and these are further strengthened by the company now being able to take part in Nordic Waterproofing’s market coverage.



# LEADING NORDIC PLAYER

Nordic Waterproofing operates in the waterproofing market, a sub-market within the broader construction market. The Group primarily operates in Northern Europe.

The waterproofing market comprises both products and services for protecting buildings and other structures 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 its principal material is bitumen. By means

of acquisitions made in 2017, prefabricated elements for floors, walls and ceilings are also offered. In Finland the Group also provides proprietary installation services for roofing and floor coating.

In Belgium, the Netherlands, Poland, the United Kingdom and Germany, the Group provides different types of rubber membranes made of the synthetic rubber material EPDM.



The roof of the swimming facility in Herninge, Denmark, was designed to imitate a wave. Roofing felt from Phønix Tag Materialer has been used to safeguard both design and protection.

## DRIVING FORCES IN THE WATERPROOFING MARKET

Our ability to grow and create value in our 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.

**GDP DEVELOPMENT AND POLITICAL FACTORS** In general, the development of the waterproofing market, as well as the broader construction market, follow the overall national GDP trend. Strong GDP growth is a key prerequisite for the construction industry, although weaker periods may also be beneficial in certain cases. Via a fiscal policy solution, it is common during economic downturns for governments to initiate construction and civil engineering projects to stimulate the economy.

The Swedish government, for example, has changed the subsidies in renovation for private households, and the Finnish government is backing a social housing production project with EUR 1,170 million.

**MAINTENANCE AND RENOVATION** Maintenance and renovation of the 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. A growing stock of buildings leads in long term to a growing market.

**URBANIZATION** Increasing urbanization is leading to a housing shortage in major cities. Most of the Nordic capitals, for example, are among the top-ten fastest-growing cities in Europe, leading to higher demand for construction projects in these regions.

**RETAIL** Changes in infrastructure because of changed patterns in retail shopping and increasing e-commerce leads to increased construction and maintenance of large logistics centres and shopping malls.



### LEADING PLAYER IN WELL-DEFINED MARKET

The estimated value of the total waterproofing market for buildings in the Nordic region amounts to approximately SEK 15 billion. The value of the European market for EPDM products is estimated at about SEK 1.5 billion.

### 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 to 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 lifetime of the building 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

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.

Through acquisitions completed in 2017 (Taasinge Elementer, see page 8), Nordic Waterproofing also offers prefabricated components for floors, walls and ceilings.

#### Installation Services

The installation services market 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.

#### STABLE RENOVATION MARKET OFFSETS POSSIBLE DECLINE

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:

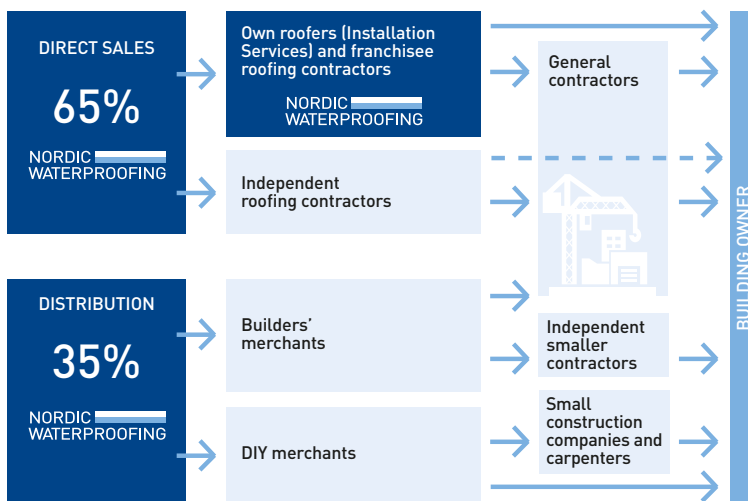
- Composition and age of property stocks.
- Renovating buildings is cheaper than building new ones. In addition, inadequate maintenance could incur considerable costs due to water damage, for example, making renovation decisions crucial. As a result, the renovation market is relatively stable and less 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 structures (bridges for example). The higher proportion of commercial properties is attributable to these more frequently having flat roofs compared with residential properties.

# WELL DEFINED PATH FOR GROWTH

There are relatively few local suppliers of waterproofing in the Nordic region, since the market is mature, the entry barriers high, and the sales channels well-defined.

## DISTRIBUTION CHAIN IN OPERATING SEGMENT PRODUCTS & SOLUTIONS



In addition to market-listed Nordic Waterproofing, the following major private manufacturers of waterproofing products are to be found in the Nordic region: Icopal, Katepal, Protan and Isola. The small number of local manufacturers in the Nordic market has a relatively fragmented customer base. Accordingly, manufacturers of waterproofing products have a strong position in the distribution chain. Apart from Nordic Waterproofing, the largest suppliers of EPDM products in the Europe market are considered to be Firestone, Carlisle and Duraproof, of which Firestone and Carlisle are estimated to be the largest and second-largest providers, respectively, with Nordic Waterproofing being the third-largest provider.

### DIRECT SALES VIA CONTRACTORS

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

The companies can be broken down into independent and non-independent installation companies.

Manufacturer-controlled installation companies are wholly or partly owned by manufacturers of waterproofing products. The non-independent installation companies have exclusive sales agreements with the owning manufacturer, and almost exclusively buy products from that manufacturer. The share of the waterproofing market held by



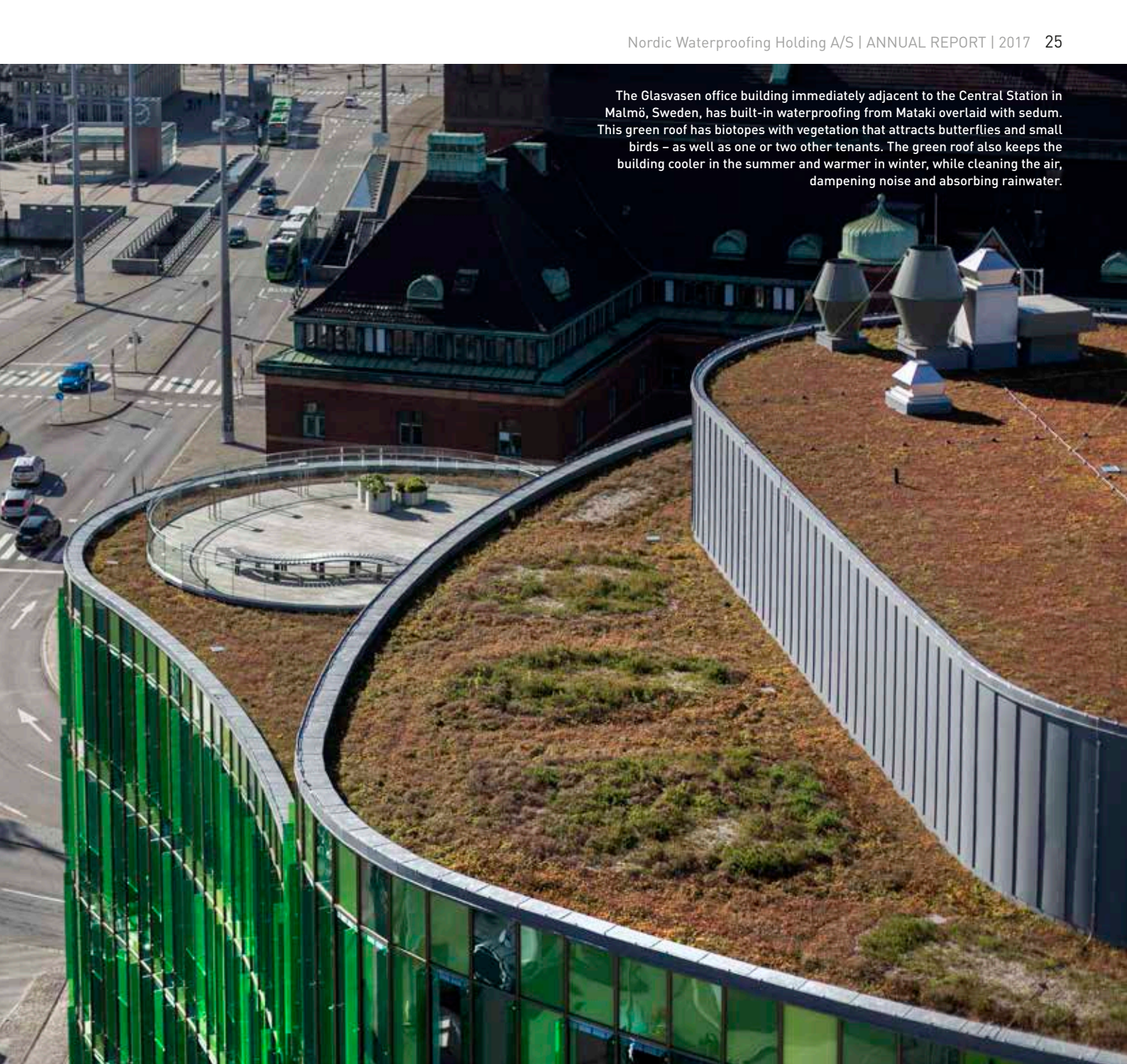
non-independent installation companies varies from country to country. Non-independent companies are more established in Finland and Denmark.

Independent installation companies can buy products from both manufacturers.

### 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.

Builders' merchants can be divided into two categories: traditional builders'



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

merchants, such as XL Bygg, Beijer Byggmaterial and Optimera, K-Rauta, Silvan, and DIY merchants, such as Byggmax and Bauhaus whose customers consist primarily of individuals and small construction companies.

Traditional building supply stores specialize in providing products to professional construction companies, generally have more specialized staff and focus on strong and established brands. DIY merchants generally offer simpler and cheaper products.

#### CONSTRUCTION COMPANY CUSTOMERS

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

Construction companies that operate at both the regional and global level include JM, NCC, Skanska and Peab in Sweden and MT Højgaard, HusCompagniet and Hoffman in Denmark and Veidekke in Norway. 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 Waterproofings Installation Services.

#### INSTALLATION SERVICES TO BUILDING OWNERS

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 homeowners.

#### ADDRESSING NEW CUSTOMER SEGMENTS

In early 2017, Nordic Waterproofing acquired SPT-Painting, a Finnish specialist company that operates within the fast-growing floor coverings market. The customer base consists primarily of medium and large construction companies, industrial companies and shipyards and their sub-contractors.

Taasinge Elementer, which was acquired in 2017 and which offers prefabricated floor, wall and ceiling components, also brings new customer names in the segment of medium-sized and large construction companies, major architectural firms and other procuring companies.

# DECENTRALIZED ORGANIZATION CLOSE TO CUSTOMERS

The Group has a decentralized organization structure with local management in each individual business unit that are supported by Group functions for finances and R&D that accelerates both efficiency within the Group and local flexibility.

Each business unit constitutes a profit centre and is responsible for local production, marketing and sales. The decentralized management model helps to form close local relationships with customers, increases involvement and ensures faster and more efficient processes in each unit. Equally, the central functions contribute to maximizing synergies throughout the Group in areas such as R&D and centralized purchasing of raw materials.

## COMPETENCE, SKILLS DEVELOPMENT AND MOTIVATION

In 2017, the Group had an average of 830 (630) full-time employees (calculated as full-time equivalents). During the summer season, the workforce in Installation Services increases through the addition of more than 100 subcontractors.

The HR-functions are decentralized and HR issues differ regionally, although they show certain mutual trends:

- Staff turnover is generally low, contributing to the stability of the organization.
- The subsidiaries apply introduction programmes when recruiting new colleagues.
- Employees' skills are developed continuously, focusing, for example, on productivity and broader production skills, thereby increasing the flexibility of the organization.

Employee surveys are conducted locally, providing a basis for management to focus on actions that increase job satisfaction and motivation.

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.

## ATTRACTING THE RIGHT COMPETENCES LOCALLY

An important part of the strategy of a decentralized Group lies in attracting the right expertise locally. Nordic Waterproofing is often a major employer in the communities where its operations are based, and by employing personnel locally, personnel turnover is kept more stable with motivated employees.

The professional roof installer business has experienced a staff shortage. In order to increase access to potential staff, Nordic Waterproofing supports educational programmes in roof installation and offers trainee positions for future professionals, increasing the attraction.

## HEALTH AND SAFETY

Nordic Waterproofing's operations include factories, warehouses and offices. The Finnish operations also include installation services. Each workplace and environment has its own specific risks and, accordingly, each subsidiary is responsible for systematic health and safety work. This includes information on, and assessment of, site-specific risks and reporting of accidents to the Group.

The process of reducing the occurrence of incidents and accidents is also achieved by analyzing the underlying causes. All subsidiaries have an Occupational Health and Safety Policy.

The Finnish subsidiary, the only business

unit offering roofing services, is certified in accordance with the OHSAS 18001 work environment management system.

Each individual site shall report to the Group level, all occupational injuries and illnesses resulting in at least one day's absence caused by accident, defined as Lost Work Cases (LWC).

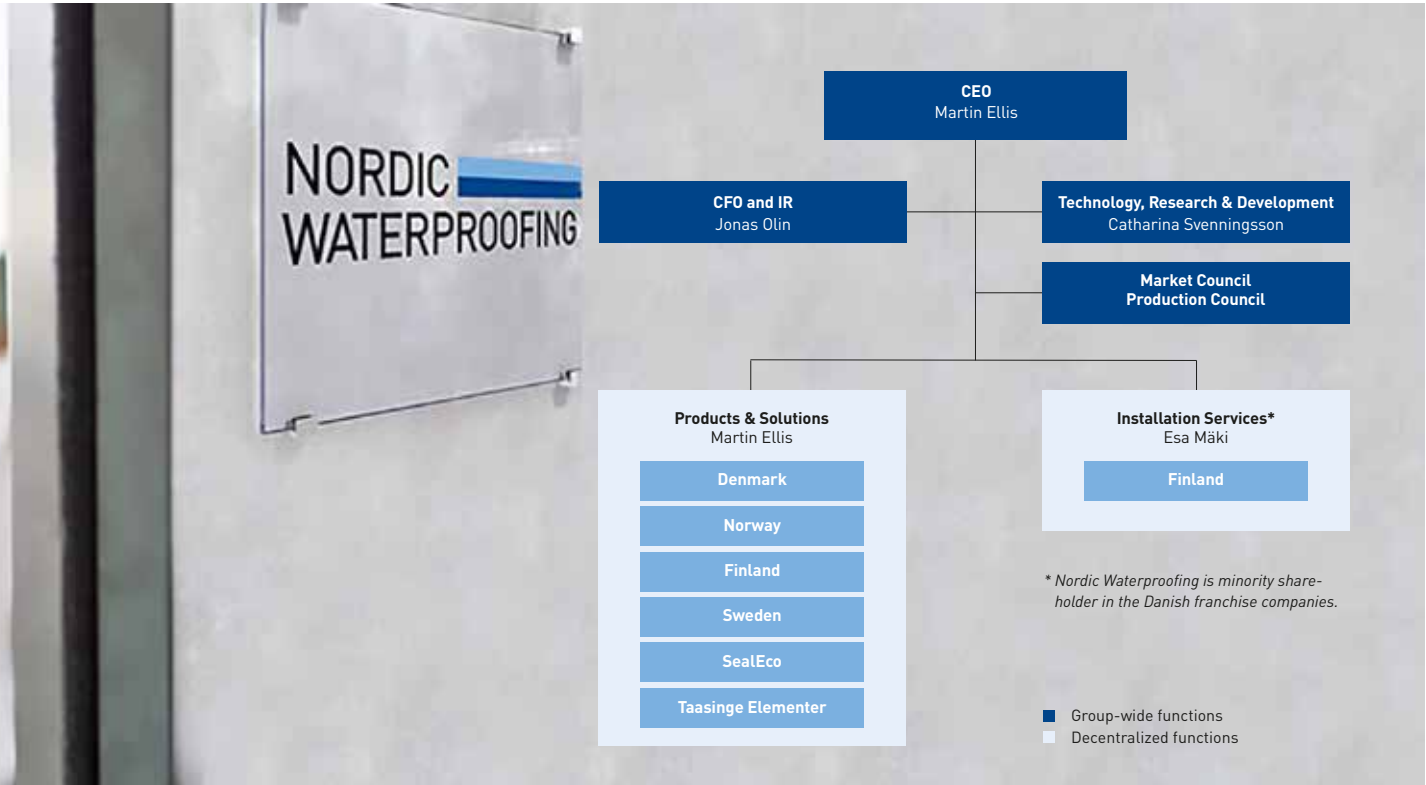
In 2017, 61 LWC accidents (37) were reported. Most of these were reported from Finland and are associated with installation work, which is the most risky work performed by the Group. We saw a negative trend regarding workplace accidents in 2017 in several of the Group's operations. Part of the explanation as to why the number of accidents has increased is that we acquired the companies accounting for most of the accidents reported over the year. However, even when taking into account this, and also taking into account the total number of hours worked, 2017 brought an undesirable deterioration. In 2018, we will further sharpen our focus on the risks involved in our operations to prevent accidents and reverse this trend. 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 the companies in the Group that have production sites have contracted external Occupational Health Care services to support their employees, such as in the case of rehabilitation.

## DIVERSITY AND EQUAL TREATMENT

Diversity and equal treatment are fundamental to Nordic Waterproofing value base and are a self-evident part of the updated Code of Conduct that was introduced during the





financial year. In 2018, the implementation of a new code for the Group's suppliers will commence.

The gender distribution target of 15–20 percent women on the Board of Directors by 2018 was met in 2016. With an additional woman elected in 2017, the proportion of women on the Board of Directors is now 33 percent.\*

The roofing industry has historically been uneven in its gender distribution, with the vast majority of people across employee categories being men. We work continuously to attract, develop and retain talented people regardless of gender or other aspects.

Independent of gender or other aspects of diversity, each individual should be offered equal opportunities in terms of career paths etc. In 2016, it was decided with regard to the gender target, that the operations as a whole should also work for a more balanced mix in terms of ethnicity and gender.

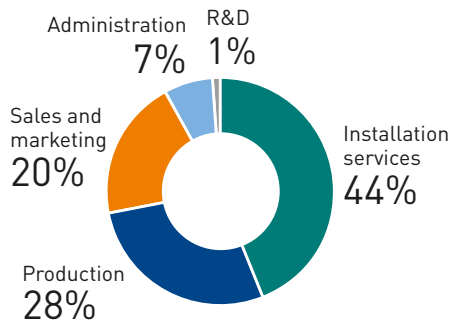
**NEW EU GDPR LAW REPLACES PERSONAL INFORMATION ACT**

The General Data Protection Regulation (GDPR) is the new data protection reform that will apply throughout the EU, a new law on the processing of personal data that will replace the Personal Information Act. In May 2018, all companies in the EU shall meet the requirements of the new law.

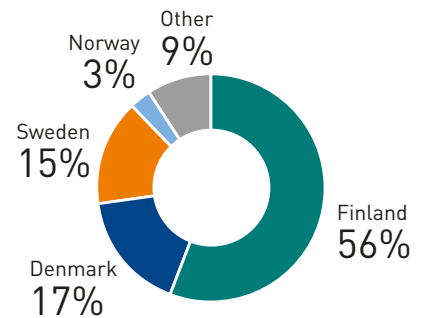
During 2017, a special working group within Nordic Waterproofing defined the areas in which the Group needs to strengthen its routines and harmonize its various markets, and are therefore prepared for the new legal requirement.

\* Account in accordance with Chapter 99b of the Danish Annual Accounts Act.

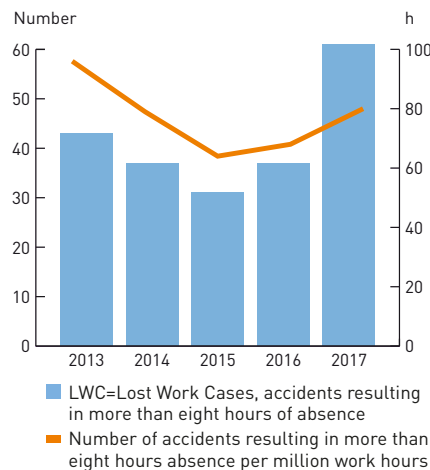
830 EMPLOYEES 2017



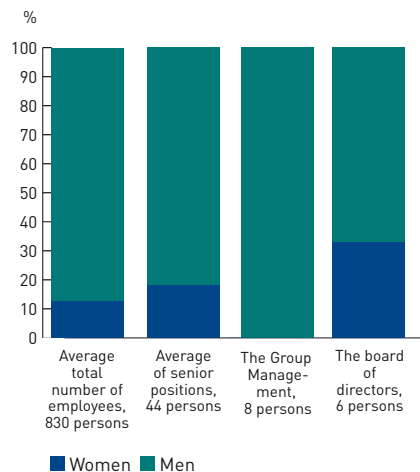
DISTRIBUTION OF EMPLOYEES BY COUNTRY, 2017



ACCIDENTS, LWC



DISTRIBUTION OF GENDER, NORDIC WATERPROOFING



Acquired units (Taasinge and two operations in Finland) have been added in the reporting for 2017.

# SUSTAINABLE BEHAVIOUR GENERATES ADDED VALUES

Nordic Waterproofing works to create added value for its stakeholders without compromising the standards set in terms of environmental and social responsibility.

We strive to conduct our business in an environmentally and socially sustainable manner and have established a number of comprehensive policy and control documents: a Code of Conduct, a whistleblower policy, an environmental policy and a work environment policy. The Code of Conduct includes the areas of human rights, labour rights, environmental protection, and anti-corruption. The code relates to the working environment, the marketplace and the community.

Since 2012, we have been signatories of the UN Global Compact and are working on an overarching sustainability strategy for the Group that is in line with the ten basic principles of the Global Compact.

In our decentralized organization, sustainability targets are set and implemented by the local company management teams. In a Group-wide review of sustainability work carried out in 2017, it was identified that implementation of, and training in, the Code of Conduct, together with suppliers' delivery in relation to the Code, gender equality and diversity, are issues of relevance for the Group to coordinate.

The review also gave rise to a series of new indicators that the Group should follow up, as well as proposals for updating the Code of Conduct and introducing a separate code for suppliers.

## CODES, ANTI-CORRUPTION AND BUSINESS ETHICS

In the autumn of 2017, the Board adopted an updated version of the Group's Code of Conduct. In connection with this, new instructions on safeguarding anonymity were also provided in connection with reporting of events, known as whistleblowing. In 2017, 0 (0) whistleblower cases were reported. The Group cares for and continues to develop a corporate culture based on a dialogue with employees at all levels.

Starting from 2018, the awareness of the Code of Conduct, related business and ethics policies will be followed up by each business unit reporting to the Group controller. Effective from 2018, the Code of Conduct will be included as part of the introduction plan for new employees and will be followed up annually by all employees

within the Group in connection with employee development interviews.

In 2018, the Group will establish and implement a separate Code of Conduct for suppliers.

## PRODUCTION AND ENVIRONMENT

The production facilities for bitumen and rubber sheeting 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. If necessary, they have formulated a local policy to complement it. All manufacturing units have a management system for environmental management. The operations in Finland and Sweden are certified in accordance with ISO 14001. Each production site has 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 to be reported at the Group level starting in 2017.

## REDUCTION OF WASTE, SPILLAGE AND ENERGY

Several projects are in progress to identify additional environmentally efficient products, environmental improvements, and waste/spill reduction.

The Group's total energy consumption increased by 1.1 percent (2.5), mainly attributable to the production units acquired during the year. Disregarding production capacity acquired in 2017, the Group's energy consumption decreased by 2.9 percent between 2016 and 2017. The Group's combined CO<sub>2</sub> emissions amounted to 4,694 tonnes. The Swedish facility in Höganäs had the greatest impact at 1,452 tonnes, followed by the newly-acquired Taasinge Elementer at 1,470 tonnes.

## UN GLOBAL COMPACT

PRINCIPLES
<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 is Nordic Waterproofing a signatory to the UN's Global Compact and is committed to honouring the Global Compact's 10 principles. Our Group Code of Conduct covers human rights, freedom of association, forced labour, child labour, discrimination, environmental management, anti-corruption, anti-competitive behaviour and conflicts of interest. Nordic Waterproofing accounts for compliance in the Group's annual report to meet the UN Global Compact's reporting obligations. The annual report is available on the Group's website and on the UN Global Compact website.





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.

As early as in 2009, a project was initiated to inspect, for example, the district heating plant, compressors and hot air units at the Höganäs production unit, which, together with Siemens, is subsequently gradually and partly replaced. Following this, Siemens task has been to monitor the system and optimize and make suggestions for further improvements. This work has resulted in a significant reduction of district heating consumption compared with the base year of 2009.

An example of a unit that works actively with waste and spill management is the Group's unit in Vejen, Denmark. Rolls and dumpster bags of spillage and waste are sold as raw material as filler for roads. Continuous adjustments in energy consumption and appropriate energy sources have lowered the production unit's total carbon dioxide levels.

The Group's total production waste amounts to 3,306 tones. Of this waste, 92 percent goes to recycling, as by-products or to incineration, for energy recovery. The remaining 8 percent goes to landfill.

**CONTINUED SUSTAINABILITY WORK**

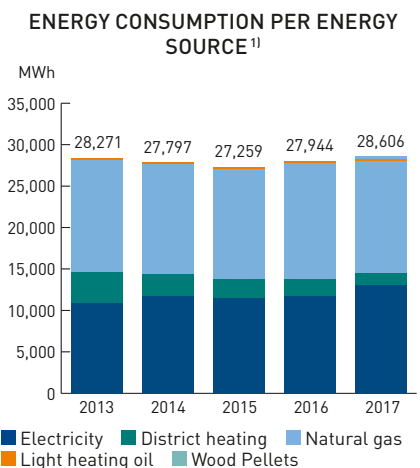
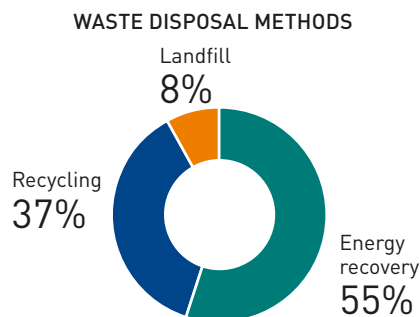
Our subsidiaries act as independent profit centres in their respective national markets, and sustainability work is managed locally. A broader effort to align the sustainability approach in the Group's operations and enable further sharing of best practices between its sites, has been initiated. A baseline assessment is being undertaken by surveying the subsidiaries' sustainability processes. A good example of knowledge sharing that already works is the prioritized area of waste management – efficiency enhancements and best practices are shared between the Group's various units to achieve continuous improvement.

The mapping of the subsidiaries' processes from a sustainability perspective conducted in 2017 has been important in setting reference points.

During the process, a number of indicators and key ratios have been identified for follow-up at the Group level. These indicators include accident reporting, gender

distribution, energy consumption per source, carbon dioxide emissions from energy consumption and the proportion of waste for recycling or landfill. Additional indicators that may be considered are production waste and other personnel-related key ratios.

The continued work will be conducted with both internal and external stakeholders to ensure that Group-level reporting meets the needs of non-financial information and results in priorities for where and how we can contribute most to the UN Global Compact and the UN Sustainable Development Goals.



<sup>1)</sup> The diagram shows the energy consumption for production units and offices at all business units, with the exception of Installation Services, which primarily comprises installation, maintenance and assembly. Energy consumed by company vehicles and forklifts, or by suppliers, is not included in these figures.

**SUSTAINABILITY IN PRACTICE**

The newly acquired Taasinge Elementer has a clear sustainability focus that includes energy savings, intelligent logistics solutions and construction technologies of the future.

The core of Taasinge Elementer's components consists of wood, an environmentally friendly material that is well proven and works well in the Nordic building tradition. Wood is a renewable resource, carbon neutral and easy to handle through all stages of production, including waste management.

A significant proportion of components from Taasinge Elementer is used when concrete facades are refurbished or replaced to reduce future heating costs. In the 1960s and 70s, the Nordic countries constructed many buildings with concrete components. Extensive efforts are now being made to improve the energy efficiency of these buildings, which can be done cost-effectively by retrofitting a new, light facade with components from Taasinge Elementer.





# RISKS AND RISK MANAGEMENT

Risk management is an integral part of Nordic Waterproofing's management processes. Risks and opportunities are regularly reviewed and reported to the Executive Management and the Board of

Directors for appropriate responses and actions. Effective from 2017, an annual bottom-up risk assessment is conducted in each business unit. A risk matrix with the 10 greatest risks – their probability, conse-

quences and measures for reducing or preventing those risks – will then be consolidated from each business unit up to the Group level, forming the basis for a Group-wide list of risks (see below).

## MAJOR RISKS AT NORDIC WATERPROOFING

RISK		DESCRIPTION	DEVELOPMENT IN 2017
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 2017. Nordic Waterproofing's distribution of sales was stable, with 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 that expected synergies 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 2017, the Group made four 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 maintain an agile organization to meet the changes 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 the production is stopped for a systematic service. 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 primary 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 2017.
	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. At the beginning of 2017, the prices for two vital raw material categories increased and the Group implemented measures to mitigate any negative effects.

## MAJOR RISKS AT NORDIC WATERPROOFING

RISK		DESCRIPTION	DEVELOPMENT IN 2017
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 examination has been completed and has entered the assessment phase. The outcome is expected to be announced in the spring of 2018. Nordic Waterproofing is cooperating with 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. A reduction in the Swedish ROT deduction has had a limited impact. Announced lending restrictions and amortization requirements also had a certain, albeit limited, impact in 2017.
	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 830 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 2017, an updated version of the Group's Code of Conduct was implemented and this will be followed up annually in the Annual performance reviews. In addition, a Code of Conduct for Suppliers has been initiated – planned to be introduced in 2018.
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 2017.
Sustainability	Environmental and Occupational Health and Safety risks	The Group is exposed to environmental and production risks as major fires with both production stoppages and environmental impact as a consequence as well the Group operations, especially the installation businesses which involves roof laying, are 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 down the valuechain.	In 2018 we will initiate a project, looking further into the possible impact of our business. We are also in the process of developing a Supplier Code of Conduct.

# CORPORATE GOVERNANCE

## WITHIN NORDIC WATERPROOFING

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 2017 is issued in accordance with the Danish Annual Accounts Act and the Swedish Code of Corporate Governance.

### 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.

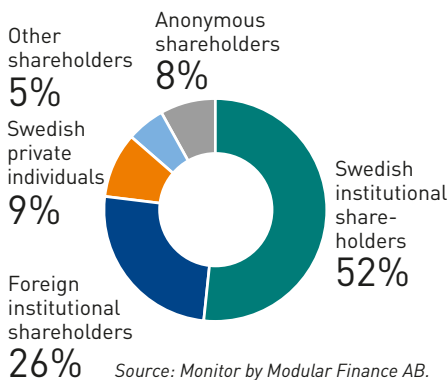
the date of the listing of the company's shares on Nasdaq Stockholm. In 2017, Nordic Waterproofing deviated from Article 2.1 of the Code in that Danish law requires the Board of Directors to nominate auditors.

### THE SHARE AND SHAREHOLDERS

Nordic Waterproofing Holding A/S has been listed on Nasdaq Stockholm, Mid Cap segment since 10 June 2016. The number of shares outstanding on 31 December 2017 was 24,083,935. Each share entitles the holder to one vote. The number of shareholders on the same date was more than 2,900, which is approximately 200 more than at the end of 2016. The largest shareholder on 31 December 2017 was Carnegie funds, holding 2,316,500 shares, representing 9.6 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 "Share and shareholders", on pages 42-44 and on the company's website.

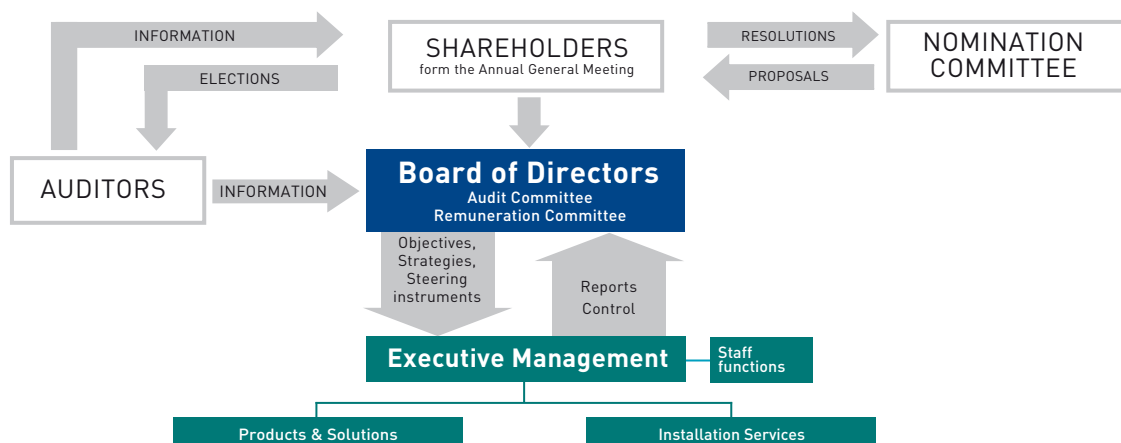
OWNERSHIP STRUCTURE AS PER 31 DECEMBER 2017, HOLDINGS, %



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

### APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

The application of the Code is fully consistent with the Danish Companies Act and 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 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 end 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 (5) percent (or more) of the share capital can make a written request to the Board of Directors that an Extraordinary General Meeting shall 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, in 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 IN 2017

Annual General Meeting 2017 was held on 27 April in Stockholm, Sweden, and approved the annual report for 2016, approved 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 Christian Frigast, Jörgen Jensen and Riitta Palomäki and new election of Mats O. Paulsson and Kristina Willgård) and elected the auditor (re-election of PricewaterhouseCoopers, authorized firm of auditors) for the period extending up until the next Annual General Meeting.

Furthermore, the meeting approved, among other things, a mandate to increase share capital (valid until Annual General Meeting 2018) and to acquire treasury shares corresponding to at most 10 percent of the number of shares outstanding in the company at any given time, updated general guidelines for performance-based compensation, and authorization to decide on the introduction of a long-term performance-based compensation program (LTIP 2017).

### ANNUAL GENERAL MEETING 2018

The Annual General Meeting 2018 will take place on Friday, 20 April 2018 at 10.00 a.m., at Mindpark, Bredgatan 11 in Helsingborg, Sweden. For more information, see section on "Annual General Meeting 2018" on page 85 and [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com)

### 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 appointed by 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 2 October 2017, the Nomination Committee ahead of Annual General Meeting 2018 consists of the following five persons:

- Viktor Henriksson, appointed by Carnegie funds and Chairman of the Nomination Committee
- Joachim Spetz, appointed by Swedbank Robur
- Ulf Hedlundh, appointed by Svolder AB
- Michael Green, appointed by Handelsbanken fonder, as well as
- Ulf Gundemark, Chairman of Nordic Waterproofing Holding A/S.

On the forming of the Nomination Committee, 28.5 percent of the voting rights for all shares in Nordic Waterproofing Holding A/S were represented.

According to the Swedish Code of Corporate Governance 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

The Code also requires the majority of the Nomination Committee's members to be independent in relation to the company and its management and that at least one of these shall also be independent in relation to the company's largest shareholder in terms of voting power. 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.

## BOARD WORK IN 2017



A minimum of six ordinary Board meetings will be held each year. In 2017 the Board held 13 Board meetings.

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.

### MEETINGS OF THE NOMINATION COMMITTEE

The Nomination Committee ahead of Annual General Meeting 2018 has held five meetings. No fees have been paid for work on the Committee.

### THE 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 38–39. 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 the 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 implemented
- 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 including whistleblower policy, information policy and insider and log book policy.

Adopted control 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

According to the Articles of Association, Nordic Waterproofing Holding A/S's Board of Directors shall consist of at least four and no more than eight members elected by the Annual General Meeting. The Annual General Meeting on 27 April 2017 resolved that the Board shall have six members for the period until the next Annual General Meeting. Accordingly, the Board consists of Ulf Gundemark (Chairman), Christian Frigast, Jørgen Jensen, 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 59 at the end of 2017, 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 38–39.

### INDEPENDENCE OF THE BOARD

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 all are independent 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 2017, the Chairman conducted a self-assessment of the Board's work, including the collaboration between the CEO and CFO. This is 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 2017 the Board held 13 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

#### 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 2017, the Audit Committee held seven meetings at which minutes were recorded. Five meetings are planned for 2018.

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.

#### REMUNERATION COMMITTEE

Effective from 2017, the Board has established a Remuneration Committee. In 2017, the Remuneration Committee held three meetings at which minutes were kept. Four meetings are planned for 2018, The current Remuneration Committee consists of two members: Christian Frigast (Chairman) and

Ulf Gundemark. The Remuneration Committee's main function is to:

- Consider and make decisions as to the framework for the remuneration packages 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 evaluate whether the remuneration level is in accordance with, and not exceeding, comparable market practice levels at any given time.
- 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 program 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 monitor and evaluate 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, death or 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.

### 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 (Dk. *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.

#### 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 six business unit managers for Denmark, Finland, Norway, Sweden, SealEco and Taasinge Elementer. The CEO and other members of the Group Management team are presented in more detail on pages 40–41.

The Group Management team holds management meetings at regular intervals, with ten such meetings being held in 2017. 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 MEMBERS OF THE BOARD OF DIRECTORS 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 shareholders have resolved at a General Meeting that fees be payable for the 2017 accounting year as

follows: SEK 500,000 to the Chairman of the Board and SEK 275,000 to all remaining 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. Members of the Board of Directors are not entitled to any special benefits when they resign from the Board.

##### 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 fixed salary to the company's CEO amounts to EUR 0.5 million and additional to this a variable salary of up to 60 percent of the annual fixed 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 six business units managers currently 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 responsibilities, 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 and Group Management, see pages 38–41 and Note 7.

The long-term performance-based incentive program (LTIP 2017) aims 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 will run over a period of three years, with the outcome being dependent on the fulfilment of various financial performance requirements. To obtain the

#### 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 29 of the Danish Securities Trading 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 percent, 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/en/information-for-shareholders/](http://www.nordicwaterproofing.com/en/information-for-shareholders/) for more information.

maximum allocation of rights to performance shares, EBIT growth over the period 1 January 2017 to 31 December 2019 must correspond to an annual average of 12 percent. More information on LTIP 2017, is provided on page 58.

### FINANCIAL REPORTING AND INTERNAL CONTROL

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.

### 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 the state-authorized firm of public accountants PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab with Lars Almskou Ohmeyer as the chief auditor. Lars Almskou Ohmeyer is currently also the auditor for Nordic Waterproofing Holding A/S. For 2017, the total remuneration to the company's auditor amounted to SEK 9.5 (7.3) million. The total remuneration to other auditors in the Group during the period amounted to SEK 0.3 (2.2) million.

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 2017, and the Board of Directors, without executive management in attendances.

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 inside and outside 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
- Press releases about important news that is assessed to have a potential impact on the share price
- 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

Please 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.



## BOARD



Name	Ulf Gundemark	Christian Frigast	Jørgen Jensen
Position	Chairman of the Board since 2015. Member of the Remuneration Committee. Member of the Nomination Committee.	Board member since 2015. Chairman of the Remuneration Committee.	Board member since 2015. Chairman of the Audit Committee.
Year elected	2015	2015	2015
Born	1951	1951	1968
Nationality	Swedish	Danish	Danish
Other assignments	Board member of AQ Group AB, Constructor Group AS, GUMACO AB, Papyrus Holding AB, Ripasso Energy AB, Scandi Standard AB (publ), Solar A/S and Lantmännen ekonomiska förening.	Chairman of the Board of Axcel, Axcelfuture, Danmarks Skibskredit Holding and Danmarks Eksportkredit (EKF). Deputy Chairman of the Boards of Pandora A/S, Danish Venture Capital Association and Axcel Advisory Board. Board member of Danmarks Skibskredit, Denmark-America Foundation, Frigast Aps and Bestyrelseforeningen.	CEO of Widex A/S, board member and CEO of JFJ Invest ApS, board member and member of the Audit Committee of DFDS A/S and member of the advisory board for Maersk Container Industries A/S.
Previous assignments	Chairman of the Board of Bridge to China AB, Chairman of the Board and Board member of Lindab International AB and Ripasso Energy Systems AB and Board member of Lønne International AS.	Vice Chairman of the Board of Torm A/S and Board member of Esko-Graphics Holding A/S.	President and CEO of Nilfisk-Advance A/S, Chairman of Alto Danmark A/S and several companies in the Nilfisk Group, member of the board and the audit committee of Auriga A/S and member of the board of TCM A/S.
Education	Graduate engineer in electronics from Chalmers University of Technology, Gothenburg, Sweden.	Master of Science from the University of Copenhagen, Denmark and a Bachelor in banking from Wharton Business School, University of Pennsylvania, USA.	Master of Science in Economics from Aarhus University, Denmark.
Independent in relation to major shareholders	Yes.	Yes.	Yes.
Independent in relation to company management	Yes.	Yes.	Yes.
Shareholding in Nordic Waterproofing <sup>1)</sup>	26,500 shares.	23,000 shares.	20,976 shares.
Board meeting attendance	12 of 13 meetings.	10 of 13 meetings.	12 of 13 meetings.
Audit Committee attendance	–	–	7 of 7 meetings.
Remuneration Committee attendance	3 of 3 meetings.	3 of 3 meetings.	–
<b>Fees in 2017<sup>2)</sup></b>			
Board assignments	SEK 500,000	SEK 275,000	SEK 275,000
Committee assignments	–	–	SEK 100,000
Total 2017	SEK 500,000	SEK 275,000	SEK 375,000

1) Own and closely related. Board assignments and holdings in Nordic Waterproofing as stated above reflect the situation as per 31 December 2017. 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 2017 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.
Year elected	2016	2017	2017
Born	1957	1958	1965
Nationality	Finnish	Swedish	Swedish
Other assignments	Board member, Chairman of the Audit Committee and member of the Remuneration Committee of HKScan Oyj and member of the management advisory council and Deputy Chairman of the Audit Committee of OP Cooperative.	Board member of Win Group AG, Eleda Holding AB, Nordisk Bergteknik AB, Modulbetong i Lund AB and Brösarps Grus och Torrbruk AB.	CEO of AddLife AB, Chairman of the Board of AddLife Development AB, Board member of Mediplast AB, Serneke Group AB and assignments as member and shareholder in Willgård AB.
Previous assignments	Executive Vice President and CFO of Uponor Oyj, Board member and Chairman of the Audit Committee of Componenta Oyj, CFO of Kuusakoski Group, various senior positions at Konecranes and ABB Finland.	CEO of Bravida AB, Strabag Scandinavia AB and Peab Industri AB.	CFO of Addtech AB, Ericsson AB, Netwise AB, Acando AB and auditor at Arthur Andersen, as well as other senior positions.
Education	MBA from Turku School of Economics, Finland.	Graduate engineer, Lund University, Lund, Sweden.	MBA, Lund University, Lund, Sweden.
Independent in relation to major shareholders	Yes.	Yes.	Yes.
Independent in relation to company management	Yes.	Yes.	Yes.
Shareholding in Nordic Waterproofing <sup>1)</sup>	3,000 shares.	15,000 shares.	0 shares.
Board meeting attendance	12 of 13 meetings.	10 <sup>4)</sup> of 13 meetings.	9 <sup>5)</sup> of 13 meetings.
Audit Committee attendance	5 <sup>3)</sup> of 7 meetings.	4 <sup>4)</sup> of 7 meetings.	–
Remuneration Committee attendance	–	–	–
<b>Fees in 2017<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 2017</b>	<b>SEK 325,000</b>	<b>SEK 325,000</b>	<b>SEK 275,000</b>

1) Own and closely related. Board assignments and holdings in Nordic Waterproofing as stated above reflect the situation as per 31 December 2017. 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 2017 calendar year, remuneration was paid as per Note 7. No consulting fees were paid to Board members. Remuneration excludes travel allowances.

3) Riitta Palomäki succeeded Holger C. Hansen in the Audit Committee from meeting number 3.

4) Mats O. Paulsson was elected in April 2017, from meeting number 4 and succeeded Vilhelm Sundström in the Audit Committee from meeting number 3.

5) Kristina Willgård was elected in April 2017, from meeting number 4.

## GROUP MANAGEMENT



Name	Martin Ellis	Jonas Olin	Petter Holth	Mats Lindborg
Position	President and CEO.	Chief Financial Officer (CFO).	Head of Nordic Waterproofing Norway.	Head of Nordic Waterproofing Sweden.
Employed since	2011	2007	2012	1986
In current position since	2015	2011	2017	2011
Born	1956	1972	1959	1964
Nationality	British	Swedish	Norwegian	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.	Bachelor of Science in economics and business accounting, Lund University, Lund, Sweden.	Diploma in construction and civil engineering from Gjøvik Technical College, Norway.	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. Thirty years of senior management experience, including CEO of Icopal and Head of Saint Gobain, Building Materials Division.	Twenty years of experience from positions as CFO, controller and auditor at Trelleborg Waterproofing, Abdon Finax, IKEA Industry and Mazars.	Thirty years of experience in marketing and sales in the construction industry. CEO of Nortett Bygg A/S.	Thirty years of experience in sales and marketing positions, including at Trelleborg Waterproofing.
Shareholding in Nordic Waterproofing <sup>1)</sup>	366,270 shares.	50,010 shares.	154,395 shares.	61,414 shares.

1) Own and closely related. Holdings in Nordic Waterproofing as stated above reflect the situation as per 31 December 2017.

### PRINCIPLES FOR REMUNERATION

The following are the principles for remuneration of senior executives adopted by the 2016 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 (phantom shares or similar)) – on both an ongoing, single-based 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

maximum cash bonus shall be equivalent to 60 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 the board of directors and the executive management.

Other bonus schemes that may lead to cash bonuses of up to 60 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's degree in business administration and economics from Aarhus University, Denmark and Executive Master of Business Administration from Scandinavian International Management Institute, Copenhagen, Denmark. Has also studied the Advanced Management Program at INSEAD.	Carpenter from the Svendborg Vocational School, Denmark, and engineering degree in building construction from the Lillebælt Academy, 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, various management positions at Icopal Finland and other companies in the construction sector.	Thirty years of experience of leading positions and within sales and marketing, including at Trelleborg Phønix A/S.	CEO of AtticGroup A/S and AtticGroup AB and 20 years of experience in development, sales and prefabrication in the construction sector.	Twenty years of experience of management positions, including at Trelleborg Waterproofing.
Shareholding in Nordic Waterproofing <sup>1)</sup>	4,000 shares.	103,683 shares.	19,000 shares.	90,504 shares.

1) Own and closely related. Holdings in Nordic Waterproofing as stated above reflect the situation as per 31 December 2017.

## REMUNERATION OF GROUP MANAGEMENT

SEK million		Fixed salary	Variable salary	Other benefits	Total	Pension	Total including pension
<b>CEO</b>	<b>2017</b>	<b>5.0</b>	<b>2.5</b>	<b>0.0</b>	<b>7.5</b>	<b>0.0</b>	<b>7.5</b>
	2016	4.9	2.9	0.0	7.8	0.0	7.8
<b>Group Management (7 persons)</b>	<b>2017</b>	<b>11.5</b>	<b>3.8</b>	<b>1.1</b>	<b>16.4</b>	<b>2.5</b>	<b>18.9</b>
	2016	8.8	6.1	0.7	15.6	2.3	17.9
<b>Total</b>	<b>2017</b>	<b>16.5</b>	<b>6.3</b>	<b>1.1</b>	<b>23.9</b>	<b>2.5</b>	<b>26.4</b>
	2016	13.7	9.0	0.7	23.4	2.3	25.7

# THE NWG SHARE AND SHAREHOLDERS

Nordic Waterproofing Holding A/S has been listed since 10 June 2016 and is traded on the Nasdaq Stockholm Mid Cap list. The company's ticker is NWG. On 31 December 2017, the share capital amounted to DKK 24,083,935. The total number of shares amounted to 24,083,935. All shares in the market convey equal voting rights and equal rights to the company's earnings and capital.

## SHARE PRICE AND TRADING

The closing price for the NWG share on 30 December 2017 was SEK 70.50 (86.50), corresponding to a market capitalization of approximately SEK 1,698 million (2,083). In 2017, a total of 23,300,661 NWG shares were traded on the Nasdaq Stockholm exchange for a total value of SEK 2,083 million, corresponding to approximately 96.7 percent of the total number of NWG shares on the Nasdaq Stockholm exchange at the end of the period. The average number of shares traded per trading day was approximately 53,181, corresponding to a value of SEK 4 million. An average 3,945 trades were completed per trading day. The highest price paid during the period 1 January to 31 December 2017 was SEK 105.00 (98.75) on [date and month] and the lowest price paid was SEK 69.00 (66.00) on November 24. The share price on 31 December 2017 was SEK 70.50 (last price paid). During the period from 1 January to 31 December 2017, Nordic Waterproofing's share price decreased by 22.7 percent, while the OMX Mid Cap list as a whole rose by 6.0 percent (13.3).

## SHAREHOLDERS

On 31 December 2017, most of the total share capital was owned by Swedish institutions, mutual funds (51.7%) and private investors (9.4%). On 31 December 2017, Nordic Waterproofing Holding A/S had more than 2,900 (2,700) shareholders. The ten largest shareholders accounted for 54.2 (52.7) percent of the votes and share capital. The members of Nordic Waterproofing's Board of Directors held a total of 88,476 (164,680) NWG shares. The holdings of the individual members appear on pages 38–39. Group Management held a total of 804,276 (592,302) NWG shares. Each executive's shareholding can be found on pages 40–41.

As part of the long-term performance-based incentive program, LTIP 2017, Nordic Waterproofing held 0 treasury shares on 31 December 2017. The purpose of holding treasury shares is to secure the supply of shares on the exercise of rights to performance shares under LTIP 2017. More information on LTIP 2017, is provided on page 58, in Note 7.

## SHARE CAPITAL AND CAPITAL STRUCTURE

Nordic Waterproofing Holding A/S's share capital at 31 December 2017 amounted to DKK 24,083,935. The total number of shares is 24,083,935. The quota value per share is DKK 1.00.

## DIVIDEND POLICY AND DIVIDEND FOR 2017

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.

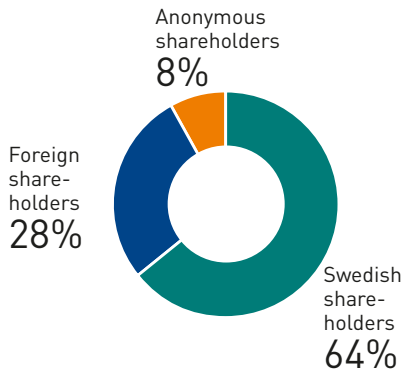
## KEY DATA PER SHARE

SEK	2017	2016
Earnings before and after dilution	5.71	6.49
Earnings excl. items affecting comparability	6.29	7.21
Shareholders' equity	41.91	40.02
Dividend*	3.75	3.75
Dividend as a % of earnings per share	65.7%	57.8%
Total dividend, SEK million	90.3	90.3
Yield, %	5.3%	4.3%
Market price, 31 December, last paid price, SEK	70.50	86.50
P/E ratio	12.35	13.33
<b>Number of shares</b>		
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.

**GEOGRAPHIC DISTRIBUTION OF SHAREHOLDERS AS PER 31 DECEMBER 2017, VOTES, %**



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

For 2017, the Board proposes a dividend of SEK 3.75 per share (3.75), which is equal to 66 percent (58) of net profit for the year. Based on the share price of NWG shares at the end of 2017, the direct yield for 2017 was 5.3 percent (2.3).

The total dividend payment of SEK 90 million 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.

**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 information that could affect the share price.

**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, www.nordicwaterproofing.com, contains a wealth of material for shareholders, including the current share price, press releases and information on dividends.

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 INCLUDED**

- February 2017 – Investor meetings in Stockholm
- March 2017 – Investor meetings in Frankfurt and Madrid
- April 2017 – Annual General Meeting 2017
- May 2017 – Presentation of the first quarter, Stockholm
- August 2017 – Presentation of the second quarter, Stockholm and London.
- November 2017 – Presentation of the third quarter, Stockholm
- November 2017 – Participation in Remium’s Capital Markets Day in Stockholm
- December 2017 – Investor meetings in Helsinki

**ANNUAL GENERAL MEETING 2018**

The Annual General Meeting of Nordic Waterproofing Holding A/S will be held at Mindpark, Bredgatan 11 in Helsingborg, Sweden, on 20 April 2018 at 10:00 a.m.

**ANALYSTS**

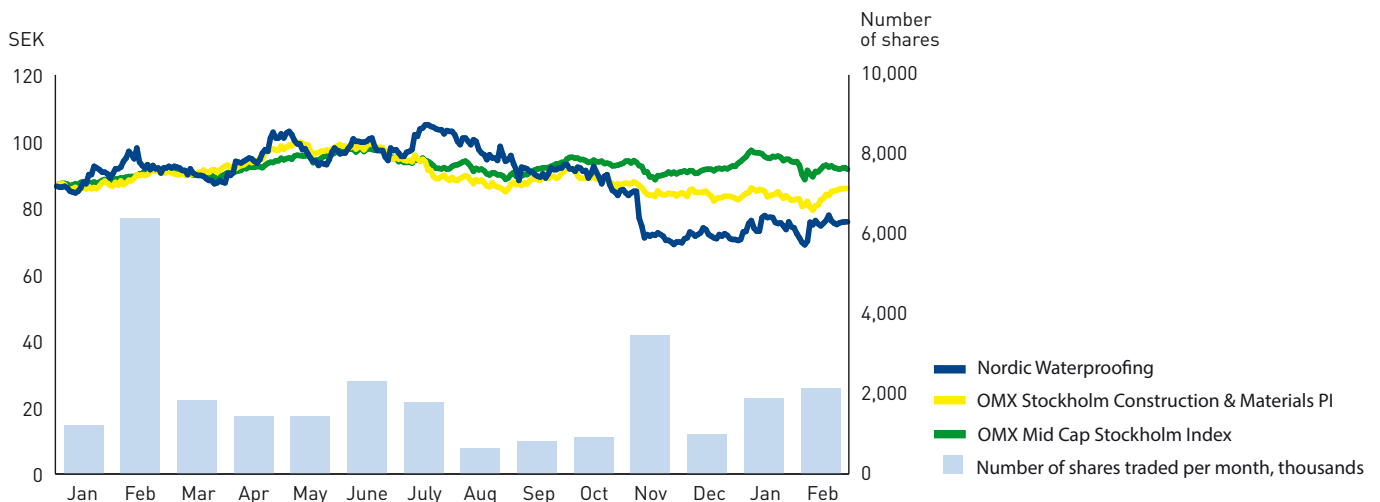
The following analysts monitor Nordic Waterproofing’s development:

- ABG Sundal Collier: Anders Idborg (anders.idborg@abgsc.se)
- Carnegie: Kenneth Toll Johansson (kenneth.toll.johansson@carnegie.se) and Agnieszka Vilela (agnvil@carnegie.se)
- Remium: Carl Ragnerstam (carl.ragnerstam@remium.com)

**IR CONTACT**

Jonas Olin, CFO and investor relations.  
Phone: +46 (0)708 29 14 54.  
e-mail:jonas.olin@nordicwaterproofing.com

**THE NORDIC WATERPROOFING SHARE 1 JANUARY 2017–28 FEBRUARY 2018**



Source: SIX Financial AB.

## 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 2017	SEK 105.00 (19 July)
Lowest closing price paid in 2017	SEK 69.00 (24 November)
Last price paid 2017	SEK 70.50
Share price development in 2017	-22.7 percent

## TEN LARGEST SHAREHOLDERS AT 31 DECEMBER 2017

Owner	No. of shares	Percentage of votes and capital
Carnegie funds	2,316,500	9.6
Swedbank funds	2,187,095	9.1
Mawer Investment Management	1,642,737	6.8
Catella funds	1,359,991	5.6
Svolder Aktiebolag	1,207,514	5.0
BMO Global Asset Management	1,168,369	4.9
Norron funds	1,030,212	4.3
Länsförsäkringar Småbolag Sverige	877,898	3.6
Tredje AP-fonden	638,916	2.7
Handelsbanken funds	625,000	2.6
<b>Total, ten largest shareholders</b>	<b>13,054,232</b>	<b>54.2</b>
Other shareholders	11,029,703	45.8
<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.

## SIZE CATEGORIES AT 31 DECEMBER 2017

Range	Number of shareholders	Number of shares	% of votes and capital
1–500	2,258	319,187	1.3
501–3,000	492	621,113	2.6
3,001–30,000	121	1,225,569	5.1
30,001–150,000	25	1,968,515	8.2
150,001–300,000	8	1,746,526	7.3
300,001–	17	16,286,369	67.5
Anonymt ägande	n.a.	1,916,656	8.0
<b>Total</b>	<b>2,921</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.

## SELECTION OF PRESS RELEASES 2017

- 20 December: Nordic Waterproofing increases its production of prefabricated roof and facade elements
- 7 November: Interim report for the third quarter, January–September 2017
- 17 October: Nordic Waterproofing's Matak brand is being rolled out for to the Norwegian professional market
- 2 October: Nomination Committee appointed in Nordic Waterproofing Holding A/S
- 15 August: Nordic Waterproofing updates Group's long-term financial targets
- 15 August: Interim report for the second quarter, January–June 2017
- 4 July: Nordic Waterproofing acquires prefabrication specialist Taasinge Elementer A/S of Denmark
- 3 June: Nordic Waterproofing updates information on competition cases in progress
- 9 May: Interim report for the first quarter, January–March 2017
- 28 April: Nordic Waterproofing acquires Finnish company LA Kattohuolto
- 27 April: Communication from the Annual General Meeting of Nordic Waterproofing Holding A/S
- 19 April: Adjusted proposal from Nordic Waterproofing Holding A/S' Nomination Committee
- 5 April: Nomination Committee's proposal to Annual General Meeting 2017
- 5 April: Notice of Annual General Meeting of Nordic Waterproofing Holding A/S
- 4 April: Nordic Waterproofing's annual report for financial year 2016 is published
- 8 March: New Nomination Committee for Nordic Waterproofing Holding A/S
- 14 February: Year-end report, January–December 2016
- 31 January: Nordic Waterproofing acquired SPT-Painting of Finland – complementing with new product categories
- 24 January: Nordic Waterproofing acquires leading EPDM specialist in the Netherlands
- 16 January: Esa Mäki new head of Nordic Waterproofing Finland

# MANAGEMENT REVIEW

## NET SALES

Consolidated net sales in 2017 increased by 21 percent to SEK 2,187 m (1,813), with both our operating segments contributing. Organic growth amounted to 5 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 1 percent. The Products & Solutions operating segment reported a sales increase of 17 percent, and the Installation Services operating segment achieved an increase of 28 percent. Denmark continued to see a very favorable demand trend, with a strong market all over the country. Our Swedish operations showed growth, although affected during the first half year by the repayment rules on private house loans which were enforced during the summer in the preceding year. Sales in Norway decreased primarily as a result of increased competition and consolidation within the Builders Merchants segment. The Finnish Flat Roofing market developed well, while the Builders Merchants were stable. In general the weather was favorable during the year and particularly during the fourth quarter, except for the early arrival of the autumn with rainy weather in September.

## OPERATING PROFIT (EBIT)

Operating profit (EBIT) for the period January–December decreased to SEK 194 m (206) and the EBIT margin decreased to 8.9 percent (11.4). Items affecting comparability amounted to SEK -14 m (-17), primarily consisting of consultancy costs related to acquisitions. Hence, the operating profit (EBIT) before items affecting comparability for the period January–December decreased to SEK 208 m (224). The EBIT margin before items affecting comparability decreased to 9.5 percent (12.3 percent). Raw material purchase prices, especially for SBS, were very volatile during the first half of the year. These effects primarily affected the income statement negatively during the third quarter, as the increasing raw material prices were not fully offset by the 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 book in Taasinge Elementer being amortized over 12 months, resulting in a limited contribution from Taasinge Elementer 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 cost position, contribution from acquired business, as well as favorable weather conditions during the fourth quarter in all the Nordic countries.

## NET FINANCIAL ITEMS

Net financial items were SEK 6 m higher than in the preceding year and amounted to SEK -19 m (-13). The change is primarily explained by a negative SEK 6 m fair value adjustment of call/put options and additional purchase considerations for the acquired companies EPDM Systems and Taasinge Elementer, since both of those companies have performed better than originally anticipated at the time of acquisition.

## TAXES

Income tax for 2017 was unchanged at SEK -37 m. The Group's effective tax rate for the year amounted to 21 percent (19), and was affected by a lower contribution in Finland where no tax cost is recorded due to tax-loss carryforward. In addition, the tax cost in the acquired companies in Finland may not be offset against tax losses during the year of acquisition.

## NET PROFIT FOR THE YEAR

Net profit for the year decreased to SEK 138 m (156). The decrease in profit in comparison with the preceding year is primarily attributable to the unfavorable development of our raw material cost position not fully offset by increased sales prices.

## BALANCE SHEET

The balance sheet total increased SEK 188 m and amounted to SEK 1,756 m (1,568).

Equity increased by SEK 46 m and came to SEK 1,010 m (964) at year-end 2017. In May, a cash dividend of SEK 90 m was paid. Percentage-wise, the solvency ratio was 58 percent (62) at the end of the year.

Nordic Waterproofing's principal external financing agreement is valid until June 2021 and contains a EUR 37.5 m term loan facility and a EUR 22 m revolving loan facility, of which EUR 14.4 m is allocated to the Group cash pool. The revolving loan facility increased by EUR 4 m, from EUR 18 m to EUR 22 m, in connection with the acquisition of Taasinge Elementer in 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 interest-bearing debt has increased following the acquisitions made and dividend payment and amounted to SEK 204 m at the end of the period, compared with SEK 25 m at the end of the preceding year. Consolidated cash and cash equivalents decreased by SEK 171 m and amounted to SEK 157 m (328) at the end of the period. Since no portion of the Group's SEK 142 m (139) overdraft facility was utilized at the end of the year, the total liquidity available was SEK 299 m (467).

Indebtedness calculated as interest-bearing net debt/EBITDA before items affecting comparability was 0.8x (0.1x) at the end of the period, and the net debt/equity ratio was 0.2x (0.0x).

## RECONCILIATION – ITEMS AFFECTING COMPARABILITY

SEK million	2017	2016
Operating profit (EBIT)	194	206
Costs related to the IPO of the company	0	14
Costs related to acquisitions	10	0
Restructuring costs	0	1
Other	4	2
Operating profit (EBIT) before items affecting comparability	208	224
Operating profit (EBIT) margin before items affecting comparability	9.5%	12.3%



**CASH FLOW**

Operating cash flow for the full year 2017 compared with the preceding year decreased, amounting to SEK 164 m (211), entailing an operating cash conversion of 66 percent (85). The lower cash flow and cash conversion is primarily explained by temporarily higher inventory levels at the end of the year in order to fulfil delivery obligations early 2018, but also due to higher receivables for on-going projects in the installation services due to high activity at the end of the year.

The cash flow from operating activities was in line with the preceding year, amounting to SEK 126 m (128).

The negative cash flow from investing activities was higher than in the corresponding period in the previous year, amounting to SEK -159 m (-19). During 2017 four companies were acquired and two smaller asset deals were finalized. The net cash impact due to these acquisitions of business was SEK 123 m (0), while gross investments in tangible and intangible assets amounted to SEK 23 m (20).

The cash flow from financing activities amounted to SEK -140 m (31). In May, a cash dividend of SEK 90 m was paid. In addition, external loans in Taasinge Elementer were repaid following the acquisition of the company in July.

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

On 20 December 2017, Taasinge Elementer A/S signed an agreement to acquire a production plant in Denmark for prefabricated roofing and façade elements, by means of an acquisition of assets, from Ugilt Savværk. The unit has 40 employees in northern Jutland and sales for 2017 was approximately SEK 50 m. The consideration amounts to DKK 18 m and is being financed through Nordic Waterproofing’s available cash and bank balances. The acquisition was finalized as of 4 January 2018 and is consolidated into the Products & Solutions segment.

On 1 March 2018, Taasinge Elementer A/S acquired 75 percent of the shares in the Norwegian company Ringsaker Vegg- og Takelementer AS (“RVT”). The company is one of Norway’s leading manufacturer of prefabricated façade elements based on wooden frame constructions to the construction industry. RVT has an annual sales of approximately SEK 100 m and 50 employees. The consideration amounts to SEK 38 m on a cash and debt-free basis. Sellers are the company’s management and founders and the acquisition was financed through Nordic Waterproofing’s existing credit facilities. RVT is consolidated into the Products & Solutions segment as of 1 March 2018.

Both Ugilt and RVT forms part of the strategy to make Taasinge Elementer and

Nordic Waterproofing a major player in the Nordic market for prefabricated roofing and façade elements.

**EXPECTATIONS FOR FINANCIAL YEAR 2018**

For the financial year 2018, general demand is expected to be similar as in 2017 in most markets. Nordic Waterproofing expects to

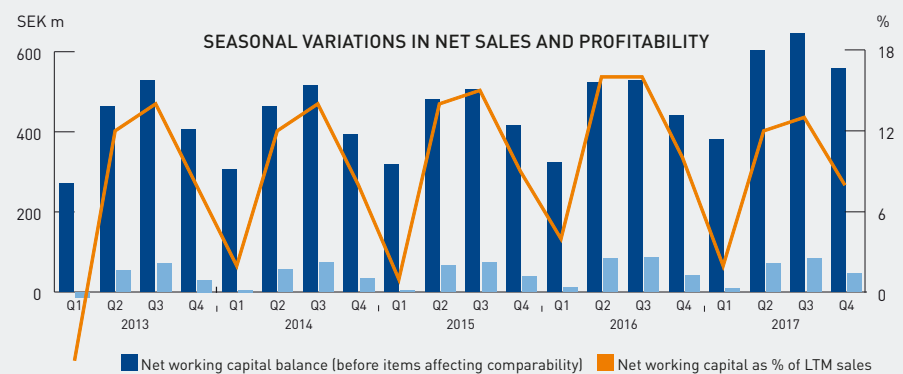
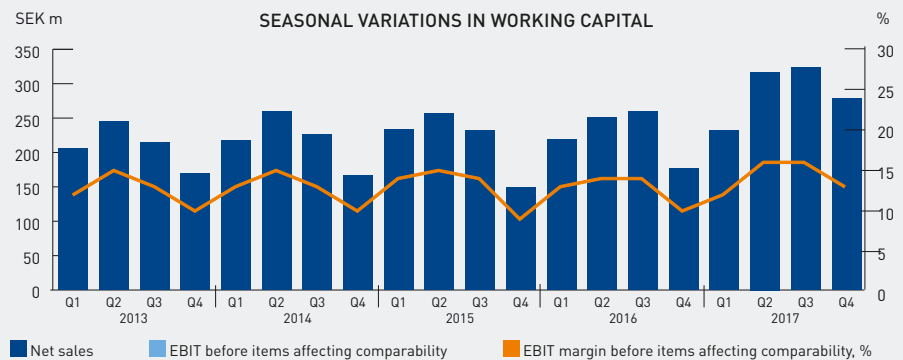
meet its financial targets, and the Group’s organic net sales growth is expected to exceed the general growth rate where the Group operates. In addition to organic growth, the Group also expects to continue growing through selective acquisitions. EBIT before items affecting comparability is expected to increase slightly compared with 2017.

**SEASONALITY**

Nordic Waterproofing’s business is affected by seasonal variations – the months of January, February and December being the weakest months. In 2017, 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 which is primarily a consequence of increased net working capital following the acquisitions made during the year. Historically, the working capital at year-end has amounted to approximately SEK 150 million, adjusted for items affecting comparability and the market value of the commodity hedges. At the end of 2017, the net working capital was higher than normal due to temporarily higher inventory levels in order to fulfil delivery obligations in early 2018, but also due to higher receivables for projects in progress in the installation services due to a high level of activity at the end of the year. The graph below illustrates the seasonal pattern in the Company’s working capital by quarter during 2013–2017.

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 2013–2017.



# CONTENTS

## FINANCIAL INFORMATION

### FINANCIAL STATEMENTS

Consolidated statement of profit or loss .....	48
Consolidated statement of financial position.....	49
Consolidated statement of cash flows .....	50
Consolidated statement of changes in equity .....	51

### LIST OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### Basis of preparation

1 Accounting policies .....	52
2 Changes in accounting policies .....	54
3 Significant accounting judgements, estimates and assumptions .....	54

#### Results for the year

4 Operating segments .....	54
5 Significant types of income .....	56
6 Operating costs by nature .....	56
7 Employees and personnel expenses .....	57
8 Pensions .....	58
9 Other operating income and expenses .....	58
10 Financial income and expenses .....	59
11 Taxes .....	59

#### Group structure

12 Participation in associated companies .....	61
13 Group companies and subsidiaries .....	62
14 Acquisitions .....	63
15 Information on the Parent Company .....	64
16 Related parties .....	64

#### Operating assets and liabilities

17 Goodwill .....	65
18 Other intangible assets .....	66
19 Property, plant and equipment .....	67
20 Operating leases .....	68
21 Inventory .....	68
22 Trade receivables .....	69
23 Receivables for on-going construction contracts .....	69
24 Other current receivables .....	69
25 Prepaid expenses and accrued income .....	69
26 Other current liabilities .....	69
27 Accrued expenses and prepaid income .....	69

#### Capital structure and financing

28 Other investments .....	69
29 Cash and cash equivalents .....	69
30 Equity .....	69
31 Earnings per share .....	70
32 Interest-bearing liabilities .....	70
33 Other non-current liabilities .....	70
34 Financial risks and finance policy .....	71
35 Contingent liabilities .....	74

#### Other disclosures

36 Audit fees and expenses .....	74
37 Statement of cash flows .....	75
38 Events after the reporting date .....	75

### FINANCIAL STATEMENTS PARENT COMPANY

Parent company statement of profit or loss .....	76
Parent company statement of financial position.....	76
Parent company statement of changes in equity.....	77
Parent company notes .....	77

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

SEK Million	Note	2017	2016
Net sales	4, 5	2,186.8	1,813.1
Cost of goods sold	6	-1,602.7	-1,272.6
<b>Gross profit</b>		<b>584.1</b>	<b>540.4</b>
Selling expenses	6	-272.3	-229.6
Administrative expenses	6	-130.5	-116.0
Research and development expenses	6	-6.5	-6.6
Other operating income	9	6.3	8.3
Other operating expenses	6, 9	-2.5	-2.7
Share of profit in associated companies	12	15.1	12.5
<b>Operating profit</b>	4, 7, 36	<b>193.7</b>	<b>206.3</b>
Financial income		0.2	5.9
Financial expenses		-19.7	-19.1
<b>Net finance items</b>	10	<b>-19.5</b>	<b>-13.2</b>
<b>Profit before tax</b>		<b>174.2</b>	<b>193.1</b>
Tax	11	-36.6	-36.9
<b>PROFIT FOR THE YEAR</b>		<b>137.6</b>	<b>156.3</b>
<b>Attributable to:</b>			
Shareholders of the Parent company		136.9	156.2
Non-controlling interests		0.7	0.1
		<b>137.6</b>	<b>156.3</b>
Earnings per share before and after dilution (SEK)	31	5.71	6.49

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

SEK Million	Note	2017	2016
<b>Profit for the year</b>		<b>137.6</b>	<b>156.3</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		19.8	18.2
Gains/losses on hedging of currency risk in foreign operations		-4.5	-7.1
Gains/losses on raw material hedging		-22.1	26.5
Tax on gains/losses on other comprehensive income		5.7	-4.2
<b>Other comprehensive income for the year</b>		<b>-1.1</b>	<b>33.4</b>
<b>Total comprehensive income for the year</b>		<b>136.5</b>	<b>189.7</b>
<b>Comprehensive income for the year attributable to:</b>			
Shareholders of the Parent company		135.8	189.6
Non-controlling interests		0.7	0.1
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>136.5</b>	<b>189.7</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK Million	Note	2017	2016
<b>Assets</b>			
Goodwill	17	732.8	616.0
Other intangible assets	18	63.7	16.2
Property, plant and equipment	19	209.8	180.1
Investments in associated companies	12	30.7	19.5
Receivables from associated companies		5.8	5.2
Other investments	28	2.0	1.9
Deferred tax assets	11	0.0	0.0
Other non-current receivables		12.0	5.1
<b>Total non-current assets</b>		<b>1,056.8</b>	<b>844.0</b>
Inventory	21	259.6	173.6
Trade receivables	22	199.8	149.7
Receivables for on-going construction contracts	23	43.9	24.7
Receivables from associated companies		13.0	7.1
Current tax assets		1.9	0.9
Other current receivables	24	10.9	27.9
Prepaid expenses and accrued income	25	13.5	11.6
Cash and cash equivalents	29	156.8	328.4
<b>Total current assets</b>		<b>699.3</b>	<b>724.0</b>
<b>TOTAL ASSETS</b>		<b>1,756.1</b>	<b>1,568.0</b>
<b>Equity</b>			
Share capital		30.0	30.0
Reserves		23.0	24.1
Retained earnings including profit for the year		866.1	819.5
Proposed dividend for the financial year		90.3	90.3
<b>Equity attributable to shareholders of the Parent company</b>		<b>1,009.4</b>	<b>963.8</b>
<b>Non-controlling interests</b>		<b>0.5</b>	<b>-0.2</b>
<b>TOTAL EQUITY</b>	30	<b>1,009.8</b>	<b>963.6</b>
<b>Liabilities</b>			
Non-current interest-bearing liabilities	32	360.3	352.9
Other non-current liabilities	33	37.1	0.0
Provisions		5.8	4.9
Deferred tax liabilities	11	52.6	40.3
<b>Total non-current liabilities</b>		<b>455.9</b>	<b>398.0</b>
Current interest-bearing liabilities	32	0.0	0.5
Trade payables		90.7	66.0
Current tax liabilities		9.4	9.9
Other current liabilities	26	57.2	20.2
Accrued expenses and prepaid income	27	133.1	109.8
<b>Total current liabilities</b>		<b>290.4</b>	<b>206.3</b>
<b>TOTAL LIABILITIES</b>		<b>746.3</b>	<b>604.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,756.1</b>	<b>1,568.0</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK Million	Note	2017	2016
<b>Operating activities</b>			
Operating profit/loss		193.7	206.3
Adjustment for non-cash items etc	37	23.7	7.2
Interest received		0.2	0.1
Interest paid		-7.6	-11.5
Dividends received		10.8	13.4
Income tax paid		-38.1	-53.5
<b>Cash flow from operating activities before working capital changes</b>		<b>182.6</b>	<b>161.9</b>
<b>Cash flow from working capital changes</b>			
Increase (-)/Decrease (+) in inventories		-45.2	-1.0
Increase (-)/Decrease (+) in trade receivable		-13.7	-24.0
Increase (-)/Decrease (+) in other operating receivables		-20.1	-0.6
Increase (+)/Decrease (-) in trade payable		9.3	-10.2
Increase (+)/Decrease (-) in other operating liabilities		13.1	1.8
<b>Cash flow from operating activities</b>		<b>126.1</b>	<b>128.1</b>
<b>Investing activities</b>			
Acquisition of intangible assets		-2.0	-10.4
Acquisition of property, plant and equipment		-21.2	-10.0
Disposal of property, plant and equipment		1.0	0.0
Acquisition of business, net cash impact	14	-123.2	0.0
Acquisition of participations in associated companies		-6.6	-3.2
Disposal of participations in associated companies		0.2	0.8
Increase in receivables in associated companies		-0.5	0.0
Decrease in receivables in associated companies		0.0	4.9
Increase in other non-current receivables		-6.6	-1.2
Proceeds from other financial investments		0.0	0.1
<b>Cash flow from investing activities</b>		<b>-158.8</b>	<b>-18.9</b>
<b>Financing activities</b>			
Acquisition of participations in non-controlling interests		0.0	0.4
Proceeds from loans and borrowings	32	0.4	347.6
Repayment of borrowings	32	-50.1	-343.0
New issue through exercised warrants		0.0	48.6
Repurchased warrants		0.0	-23.0
Dividends paid		-90.3	0.0
<b>Cash flow from financing activities</b>		<b>-140.0</b>	<b>30.7</b>
Cash flow for the year		-172.7	139.8
Cash and cash equivalents at beginning of year		328.4	181.3
Exchange-rate differences in cash and cash equivalents		1.0	7.2
<b>Cash and cash equivalents at year-end</b>		<b>156.8</b>	<b>328.4</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Equity attributable to Parent Company shareholders						Non-controlling interests	Total equity
	Share capital	Reserves for hedging	Translation reserve	Dividend	Retained earnings	Total		
<b>Equity as at 1 January 2016</b>	<b>0.1</b>	<b>-3.4</b>	<b>-5.9</b>	<b>0.0</b>	<b>757.8</b>	<b>748.6</b>	<b>-0.7</b>	<b>747.9</b>
<b>Total comprehensive income for the year</b>								
Profit/loss for the year	-	-	-	-	156.2	156.2	0.1	156.3
Other comprehensive income for the year	-	26.5	11.1	-	-	37.6	-	37.6
Tax on gains/losses on comprehensive income	-	-5.8	1.6	-	-	-4.2	-	-4.2
<b>Total comprehensive income for the year</b>	<b>0.0</b>	<b>20.7</b>	<b>12.7</b>	<b>0.0</b>	<b>156.2</b>	<b>189.6</b>	<b>0.1</b>	<b>189.7</b>
<b>Transactions with the Group's owners</b>								
Repurchased warrants	-	-	-	-	-23.0	-23.0	-	-23.0
Bonus issue of shares	28.6	-	-	-	-28.6	0.0	-	0.0
New issue of shares	1.2	-	-	-	47.4	48.6	-	48.6
Proposed dividend for the financial year	-	-	-	90.3	-90.3	0.0	-	0.0
<b>Total contributions from and distribution to owners</b>	<b>29.8</b>	<b>0.0</b>	<b>0.0</b>	<b>90.3</b>	<b>-94.5</b>	<b>25.6</b>	<b>0.0</b>	<b>25.6</b>
<b>Changes in participating interest in subsidiaries</b>								
Transactions with non-controlling interests	-	-	-	-	-	0.0	0.4	0.4
<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>0.0</b>	<b>0.4</b>	<b>0.4</b>
<b>Total transactions with the Group's owners</b>	<b>29.8</b>	<b>0.0</b>	<b>0.0</b>	<b>90.3</b>	<b>-94.5</b>	<b>25.6</b>	<b>0.4</b>	<b>26.1</b>
<b>Equity as at 31 December 2016</b>	<b>30.0</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>

SEK million	Equity attributable to Parent Company shareholders						Non-controlling interests	Total equity
	Share capital	Reserves for hedging	Translation reserve	Dividend	Retained earnings	Total		
<b>Equity as at 1 January 2017</b>	<b>30.0</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>-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>-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>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>-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>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>

## 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 2017 and for the comparative information as per 31 December 2016.

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 recognised 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 and contingent liabilities arising from acquisitions. Non-current assets and disposal groups held for sale are recognised, 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 hundred 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 recognised in the profit/loss for the year. Non-monetary assets and liabilities that are recognised at historical cost are translated to the exchange rate on the transaction date. Non-monetary assets and liabilities recognised 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 recognised 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 recognised 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.

### FINANCIAL INSTRUMENTS

Financial instruments that are recognised 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 recognised in the statement of financial position when the company becomes a party to the instrument's contractual terms. A receivable is recognised 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 receivable are recognised in the statement of financial position when an invoice has been sent. A liability is recognised when the counter-party has performed and a contractual obligation exists to pay, even if an invoice has not yet been received. Trade payable are recognised 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 recognised on the transaction date. The transaction date is the date the company commits to acquire or dispose the asset.

Financial instruments that are not accounted for at fair value are initially recognised 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 recognised 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 recognised at cost and at fair value subsequently. Both realised and unrealised gains and losses are recognised in the income statement unless the derivatives are part of hedging of future transactions. Value adjustments of derivatives for hedging of future transactions are recognised directly in other comprehensive income. As hedged transactions are realised, gains or losses are recognised 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 recognised in the income statement.

Derivatives are recognised 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 amortised cost. Trade receivable are recognised in the amount expected to be received, i.e. less doubtful receivables.

### Other financial liabilities

Borrowings and other financial liabilities, such as trade payable, are included in this category. These liabilities are valued at amortised 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 recognised 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 recognised 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 recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised 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 recognised 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 recognised 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 recognised when the forecast transaction is ultimately recognised 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 recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised 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.

### IMPAIRMENT LOSSES

The Group's recognised 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 recognised according to IAS 39, 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 recognised when an asset's or cash-generating unit's (group of units) carrying amounts exceed the recoverable amount. An impairment loss is recognised 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 recognised 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 recognised, less depreciation/amortisation where applicable, if no impairment loss had been applied.

Impairment losses on loans and receivables recognised at amortised 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 recognised 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 NOT YET BEGUN TO BE APPLIED

A number of new or revised IFRS standards will enter into effect in future financial years.

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 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial instruments replaces IAS 39 as of 1 January 2018. The standard introduces an expected loss model for impairment losses on loans and receivables. The number of classification categories for financial assets are reduced to three: amortised 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 recognised in other comprehensive income. Simplified rules on hedge accounting are introduced. During the year, the Group has analyzed the effects of an introduction on the financial statements and concluded that IFRS 9 will not have any significant impact on the financial statements.

### IFRS 15 REVENUE FROM CONTRACT WITH CUSTOMERS

IFRS 15 Revenue from contract with customers replaces 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 recognised when control (instead of risks and benefits) of goods or services are transferred to the customer.

During the year, the Group has analyzed the effects of an introduction on the financial statements and IFRS 15 will not have any significant impact on the financial statements. The new standard also introduces expanded disclosure requirements and changes in presentation. These will change the nature and extent of the Group's disclosures about its income and contract assets/liabilities from 1 January 2018.

### IFRS 16 LEASES

IFRS 16 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 recognised 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 recognised. The only exceptions are short-term or low-value leases. There is work ongoing in the Group in analyzing the effects from IFRS 16. The work includes collection and valuation of lease agreements and evaluation of the need for system support. It is too early to quantify the effects from the introduction of IFRS 16, but the introduction will have significant effects on the financial statements.

## 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 recognised 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 recognised 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, the Danish Competition and Consumer Authority conducted a so-called dawn raid at Nordic Waterproofing A/S in Vejle, Denmark in 2014. The management does not expect the outcome of this investigation to lead to any material impact on the Group's position or performance, which is why no reservation has been made in the year-end accounts. This assessment is associated with uncertainty due to the nature of the investigation.

Furthermore, as described in note 35, in 2016 Nordic Waterproofing A/S received a letter of claim from a competitor stipulating an alleged claim with regard to the on-going investigation mentioned above. The management finds that the claim is unsubstantiated/unfounded and therefore no provision has been made in the annual report. However, an assessment of this kind is by nature associated with uncertainty.

## 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. Two operating segments have been identified: "Products & Solutions" and "Installation Services", respectively.

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 2016 and 2017, the chief operating 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.

2017 SEK million	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
<b>2016</b>				
SEK million	Products & Solutions	Installation Services	Group items and eliminations	Group
Revenues from external customers	1,252.7	560.3	0.0	1,813.1
Revenues from other segments	88.3	0.0	-88.3	0.0
<b>Revenues, total</b>	<b>1,341.0</b>	<b>560.3</b>	<b>-88.3</b>	<b>1,813.1</b>
<b>EBITDA before items affecting comparability</b>	<b>243.4</b>	<b>30.1</b>	<b>-25.4</b>	<b>248.1</b>
Depreciation & amortization	-22.2	-1.0	-1.4	-24.6
<b>EBIT before items affecting comparability</b>	<b>221.3</b>	<b>29.1</b>	<b>-26.8</b>	<b>223.6</b>
Items affecting comparability	-4.2	1.4	-14.4	-17.3
<b>Operating profit (EBIT)</b>	<b>217.1</b>	<b>30.5</b>	<b>-41.3</b>	<b>206.3</b>
Net finance items				-13.2
<b>Profit after finance items but before tax (EBT)</b>				<b>193.1</b>
Tax				-36.9
<b>Profit for the year</b>				<b>156.3</b>
<b>Assets</b>				
Intangible assets	556.0	69.9	6.3	632.2
Property, plant and equipment	175.5	3.1	1.5	180.1
Participations in associated companies	0.0	19.5	0.0	19.5
Inventory	172.0	1.7	0.0	173.6
Other assets	131.3	81.5	13.3	226.1
Non-allocated assets			336.4	336.4
<b>Total assets</b>	<b>1,034.8</b>	<b>175.6</b>	<b>357.6</b>	<b>1,568.0</b>
<b>Liabilities and Equity</b>				
Equity			963.6	963.6
Other liabilities	165.2	54.1	-18.5	200.8
Non-allocated liabilities			403.5	403.5
<b>Total liabilities and equity</b>	<b>165.2</b>	<b>54.1</b>	<b>1,348.7</b>	<b>1,568.0</b>
Investments in property, plant and equipment and other intangible assets	16.9	0.9	2.7	20.4

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 recognised 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.

#### 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 million	2017	2016
Costs related to the IPO of the Company	0.0	-13.9
Acquisition-related costs	-9.9	0.0
Restructuring costs	0.0	-1.1
Other	-4.1	-2.2
<b>Total</b>	<b>-14.0</b>	<b>-17.3</b>

## NOTE 5 SIGNIFICANT TYPES OF INCOME

#### ACCOUNTING POLICIES

##### Sales of goods

Revenues for the sale of goods are recognised in profit/loss for the year when all of the following criteria are met:

- significant risks and benefits associated with ownership of the goods have been transferred to the buyer,
- no managerial involvement with the goods is retained,
- the amount of revenue and cost of the transaction can be measured reliably and
- receipt of payment from the customer is probable.

The criterias above usually coincide with the date of delivery.

Revenue is measured at the fair value of consideration received, or expected to be received, less discounts provided.

##### Installation services

Revenues from installation services are recognised in profit/loss for the year based on the stage of completion on the reporting date.

The stage of completion is determined on the basis of contract expenditures incurred relative to the total estimated expenditures.

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.

Significant types of income SEK million	2017	2016
Net sales include revenues from:		
Sale of goods	1,472.9	1,252.7
Installation services	713.8	560.3
<b>Total</b>	<b>2,186.8</b>	<b>1,813.1</b>

#### GEOGRAPHIC AREAS

Revenues from external customers SEK million	2017	2016
Denmark	493.0	374.6
Sweden	348.1	328.4
Norway	193.4	192.9
Finland	810.0	660.8
Europe (excluding Nordic region)	333.5	249.4
Other countries	8.8	7.0
<b>Total</b>	<b>2,186.8</b>	<b>1,813.1</b>

Non-current assets SEK million	2017	2016
Denmark	326.6	204.8
Sweden	367.6	372.0
Norway	27.8	32.6
Finland	244.2	182.0
Europe (excluding Nordic region)	40.2	20.9
<b>Total</b>	<b>1,006.4</b>	<b>812.3</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 3.7 percent of consolidated sales were attributable to a single customer.

## NOTE 6 OPERATING COSTS BY NATURE

SEK million	2017	2016
Material costs and goods for resale	1,095.6	833.8
Change in inventory of finished goods and work in progress	-72.8	-8.4
Employee benefits	511.3	415.0
Depreciation & amortization	38.8	24.5
Other external costs	439.1	359.9
Other operating expenses	2.5	2.7
<b>Total</b>	<b>2,014.5</b>	<b>1,627.5</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 recognised as an expense when the related services are received.

A liability is recognised 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 recognised at the earliest time of when the company can no longer withdraw the offer to the employees or when the company recognises expenses for restructuring. The benefits that are estimated to be settled after 12 months are recognised at their present value. Benefits that are not expected to be fully settled within 12 months are recognised according to long-term employee benefits.

Expenses for employee benefits SEK million	2017	2016
Salaries and benefits, etc.	417.9	331.8
Pension expenses, defined-contribution plans	15.3	11.1
Social security contributions	78.1	72.1
	<b>511.3</b>	<b>415.0</b>

Average number of employees FTE (Full Time Equivalents)	2017	of which men	2016	of which men
<b>Parent Company</b>				
Denmark	1	100%	1	100%
<b>Total Parent Company</b>	<b>1</b>	<b>100%</b>	<b>1</b>	<b>100%</b>
<b>Subsidiaries</b>				
Denmark	141	80%	80	73%
Sweden	125	80%	113	79%
Norway	22	73%	21	76%
Finland	465	93%	374	93%
Other	75	82%	41	73%
<b>Total in subsidiaries</b>	<b>829</b>	<b>87%</b>	<b>629</b>	<b>86%</b>
<b>Group total</b>	<b>830</b>	<b>87%</b>	<b>630</b>	<b>86%</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 SENIOR EXECUTIVES

SEK million	2017	2016
<b>Remuneration to the Board and CEO of Nordic Waterproofing Holding A/S:</b>		
Remuneration of Board members	2.1	1.6
Salaries and benefits to CEO	7.5	7.8
	<b>9.6</b>	<b>9.4</b>
<b>Remuneration to Group management in Nordic Waterproofing Group 1 AB with subsidiaries:</b>		
Salaries and benefits	16.3	15.6
Pension expenses, defined-contribution plans	2.5	2.3
	<b>18.9</b>	<b>17.9</b>
<b>Total remuneration to the Board, CEO and Group management team in the Group</b>	<b>28.5</b>	<b>27.3</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>

2016	Fixed salary	Variable salary	Pension	Other benefits	Total
Chairman of the board: Ulf Gundemark	0.5	-	-	-	0.5
Boardmember: Holger C. Hansen	0.4	-	-	-	0.4
Boardmember: Christian Frigast	0.2	-	-	-	0.2
Boardmember: Vilhelm Sundström	0.2	-	-	-	0.2
Boardmember: Jørgen Jensen	0.4	-	-	-	0.4
President and CEO: Martin Ellis	4.9	2.9	-	-	7.8
Other senior executives (5 persons)	8.8	6.1	2.3	0.7	17.9
<b>Total</b>	<b>15.3</b>	<b>9.0</b>	<b>2.3</b>	<b>0.7</b>	<b>27.3</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. 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 CEO amounted in 2017 to SEK 7.5 (7.8) million.

### 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, however following the IPO as per 10 June 2016, the CEO cannot terminate the employment within the first 24 months. This means that the notice of termination cannot be given by the CEO until after 10 June 2018.

**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 PROGRAM**

The 2017 Annual General Meeting in April resolved to authorize the Board of Directors to establish a Long-Term Incentive Program ("LTIP 2017") offered to 23 employees of the Group, and the program was established by the Board in June. 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 costs for the 3-year program in accordance with IFRS 2, including social security charges, are estimated to be at most SEK 7 m 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 LTIP 2017. However, the Company will acquire 97,309 treasury shares (of which 21,389 are allocated to the CEO, 38,825 to Group Management and 37,095 to others), corresponding to approximately 0.4 per cent of the outstanding shares and votes in the Company in order to secure the provision of shares under LTIP 2017 and to secure and cover social security charges. The costs for the program are expected to have a marginal effect on Nordic Waterproofing Group's key ratios and no expenses have been booked in 2017.

**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 recognised 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 2017 financial year, the company has not had access to information that makes it possible to recognise this plan as a defined-benefit plan. The pension plan according to ITP is secured through insurance in Alecta and is therefore recognised as a defined-contribution plan. The year's fees for pension insurance taken out in Alecta amount to SEK 6.1 m (5.6). Alecta's surplus can be distributed to the policyholders and/or the beneficiaries. At the end of 2017, Alecta's surplus in the form of the collective solvency level amounted to 154 percent (149). 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 million	2017	2016
	15.3	11.1

<sup>1)</sup> This includes SEK 6.1 m (5.6) for ITP plans financed in Alecta, see above.

Next year's expected contributions to defined-benefits plans covered by several employers, but recognised as if the plan was a defined-contribution plan amount to approximately SEK 6.1 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 recognised in profit/loss for the year at the time the associated companies recognize the sales to their customers.

Other operating income SEK million	2017	2016
Royalty	4.6	7.6
Capital gains	0.0	0.5
Change in fair value of commodity derivatives	0.0	0.2
Exchange gains on operating receivables/ liabilities	1.7	0.0
<b>Total</b>	<b>6.3</b>	<b>8.3</b>

Other operating expenses SEK million	2017	2016
Change in fair value of commodity derivatives	0.0	-0.2
Exchange losses on operating receivables/ liabilities	-2.0	0.0
Other	-0.5	-2.5
<b>Total</b>	<b>-2.5</b>	<b>-2.7</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 recognised in profit/loss for the year. Dividend income is recognised when the right to receive a dividend has been established. The results from the disposal of a financial instrument are recognised 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 recognised in profit/loss for the year. Exchange-rate gains and losses are recognised 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 million	2017	2016
Interest income	0.2	0.1
Dividend	0.0	0.1
Net exchange-rate changes	0.0	5.6
Other financial income	0.0	0.1
<b>Financial income</b>	<b>0.2</b>	<b>5.9</b>
Interest expenses on loans at amortised cost	-8.5	-17.2
Fair value adjustment call/put options	-5.7	0.0
Net exchange-rate changes	-2.7	0.0
Other financial expenses	-2.8	-1.9
<b>Financial expenses</b>	<b>-19.7</b>	<b>-19.1</b>
<b>Net finance items</b>	<b>-19.5</b>	<b>-13.2</b>

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

Interest expenses include period-allocated arrangement fee for liabilities to credit institutions in an amount of SEK 0.8 (3.6) million.

## NOTE 11 TAXES

### ACCOUNTING POLICIES

Income taxes comprise current tax and deferred tax. Income taxes are recognised in profit/loss for the year except when underlying transactions have been recognised in other comprehensive income or in equity whereby the associated tax effect is recognised 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 realised 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 recognised insofar as it is likely that they will be able to be utilised.

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

### RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

SEK million	2017	2016
<b>Current tax expense (-)/tax revenue (+)</b>		
Tax expense for the period	-34.0	-32.7
Adjustment of tax attributable to earlier years	0.0	0.0
	<b>-34.0</b>	<b>-32.7</b>
<b>Deferred tax expense (-)/tax revenue (+)</b>		
Deferred tax for temporary differences	-2.5	-4.2
Deferred tax resulting from changes in tax rates	0.0	0.0
	<b>-2.5</b>	<b>-4.2</b>
<b>Total reported tax expense in the Group</b>	<b>-36.6</b>	<b>-36.9</b>

Reconciliation of effective tax SEK million	2017	%	2016	%
<b>Profit/loss before tax</b>	<b>174.2</b>		<b>193.1</b>	
Tax according to current tax rate for the Parent Company	-38.3	22.0	-42.5	22.0
Effect of other tax rates for foreign subsidiaries	-0.3	0.2	-0.6	0.3
Non-deductible expenses	-1.8	1.0	-3.5	1.8
Non-taxable revenues	0.1	0.0	0.3	-0.2
Result from participations in associated companies	3.6	-2.1	2.7	-1.4
Increase in loss carry-forwards without corresponding capitalisation of deferred tax	-1.0	0.6	0.0	0.0
Utilisation of earlier, non-capitalised loss carry-forwards	0.3	-0.2	2.9	-1.5
Effect of changed tax rates/and tax regulations	0.0	0.0	0.6	-0.3
Other	0.8	-0.5	3.2	-1.6
<b>Reported effective tax</b>	<b>-36.6</b>	<b>21.0</b>	<b>-36.9</b>	<b>19.1</b>

## RECOGNISED IN THE BALANCE SHEET

### DEFERRED TAX ASSETS AND LIABILITIES

#### Recognised deferred tax assets and liabilities

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

SEK million	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>

SEK million	Deferred tax 2016		
	Asset	Liability	Net
Property, plant and equipment	0.1	12.1	-12.1
Intangible assets	0.1	1.5	-1.4
Inventory	0.9	0.5	0.5
Other current liabilities	0.0	4.8	-4.8
Untaxed reserves	0.0	22.4	-22.4
Other	0.0	0.2	-0.2
<b>Tax assets/liabilities</b>	<b>1.2</b>	<b>41.5</b>	<b>-40.3</b>
Offset	-1.2	-1.2	0.0
<b>Tax assets/liabilities, net</b>	<b>0.0</b>	<b>40.3</b>	<b>-40.3</b>

#### Non-recognised deferred tax assets

Total unrecognised deferred tax assets amount to SEK 12.6 (11.4) million, hereof tax loss carry-forwards for which deferred tax assets have not been recognised in the income statement and balance sheet amount to SEK 12.6 (11.4) million, of which SEK 9.5 million expires within 1-5 years and the remaining after 5 years.

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

SEK million	Balance as per 1 Jan 2017	Recognised in profit/loss for the year	Recognised 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>

SEK million	Balance as per 1 Jan 2016	Recognised in profit/loss for the year	Recognised in other comprehensive income	Acquisition/Divestment of business	Balance as per 31 Dec 2016
Property, plant and equipment	-10.4	-1.5	-0.2	-	-12.1
Intangible assets	-2.4	1.3	-0.2	-	-1.4
Inventory	1.0	-0.5	-	-	0.5
Other current liabilities	0.0	-	-4.8	-	-4.8
Other current receivables	1.0	-	-1.0	-	0.0
Untaxed reserves	-17.1	-5.3	-	-	-22.4
Other	-1.9	1.9	-0.2	-	-0.2
	<b>-29.8</b>	<b>-4.2</b>	<b>-6.3</b>	<b>0.0</b>	<b>-40.3</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 Denmark subsidiaries, and also franchisees where they have access to the concepts and brands Phønix Tag and Hetag Tagdækning.

As of the date that controlling influence is obtained, participations in associated companies are recognised according to the equity method in the consolidated accounts. The equity method means that the value of the shares recognised 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, amortisation, impairment losses and reversals of acquired surpluses or deficits is recognised 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 recognised 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 recognised 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 million	2017	2016
Carrying amount at beginning of the year	19.5	16.6
Acquisitions of associated companies	6.6	3.2
Divestment of associated companies	-0.2	-0.5
Dividend for the year	-10.8	-13.4
Share of profit in associated companies	15.1	12.5
Reclassification	0.0	-1.0
Reversed impairment losses	0.0	1.8
Translation difference for the year	0.4	0.3
<b>Carrying amount at the end of the year</b>	<b>30.7</b>	<b>19.5</b>
Share of profit in associated companies	15.1	12.5
Other comprehensive income	0.0	0.0
<b>Total comprehensive income</b>	<b>15.1</b>	<b>12.5</b>

### SPECIFICATION OF HOLDINGS OF PARTICIPATIONS IN ASSOCIATED COMPANIES.

Associated companies	Domicile	2017 Voting and capital share in %	2016 Voting and capital share in %
Takkonsulten i Helsingborg AB	Helsingborg, Sweden	25%	25%
AB Tätskiktsgarantier i Norden	Sundsvall, Sweden	50%	50%
Hetag JK Tagentreprise ApS	Herlev, Denmark	40%	40%
Hetag Nordjysk Tag ApS	Hjallerup, Denmark	40%	0%
Hetag Tagdækning Nord A/S	Risskov, Denmark	40%	40%
Hetag Tagdækning Syd A/S	Hedensted, Denmark	40%	40%
Nordisk Tagdækning A/S	Gadstrup, Denmark	40%	40%
Phønix Tag Energi A/S	Hadsten, Denmark	40%	40%
Phønix Tag Esbjerg A/S	Esbjerg, Denmark	40%	40%
Phønix Tag Fyn A/S	Årslev, Denmark	40%	40%
Phønix Tag Grønland ApS	Esbjerg, Denmark	40%	40%
Phønix Tag Holbæk-Næstved A/S	Holbæk, Denmark	40%	40%
Phønix Tag København A/S	Ishøj, Denmark	40%	40%
Phønix Tag Nordjylland A/S	Svenstrup, Denmark	40%	40%
Phønix Tag Nordsjælland A/S	Fredensborg, Denmark	40%	40%
Phønix Tag Storenterprise ApS	Vejle, Denmark	40%	40%
Phønix Tag Sønderjylland A/S	Aabenraa, Denmark	40%	40%
Phønix Tag Vejle A/S	Vejle, Denmark	40%	40%
Phønix Tag Århus A/S	Hadsten, Denmark	40%	40%
Garantiselskabet Dansk Tagdækning A/S	Copenhagen, Denmark	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 recognised 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 recognised directly in the profit/loss for the year.

Contingent considerations are recognised at fair value at the acquisition date. Contingent considerations are revalued at every reporting date and the change is recognised 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 recognised 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 recognised 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 30 subsidiaries. These subsidiaries are owned through a majority of the votes in the respective subsidiary.

Subsidiary (domicile, country)	2017 Voting and capital share in %	2016 Voting and capital share in %
Nordic Waterproofing Group 1 AB (Stockholm, Sweden)	100%	100%
Nordic Waterproofing Group AB (Stockholm, Sweden)	100%	100%
Nordic Waterproofing Holding ApS (Vejen, Denmark)	100%	100%
Hetag Tagmateriale 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%
Taasinge Elementer A/S (Hampen, Denmark)	80%	0%
LV Elements (Riga, Latvia)	100%	0%
Nordic Build A/S (Svendborg, Denmark)	100%	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%	0%
Nordic Waterproofing Property Oy (Helsinki, Finland)	100%	100%
SPT-Painting Oy (Helsinki, Finland)	100%	0%
Nordic Waterproofing SpZoo (Lodz, Poland)	100%	100%
SealEco AB (Värnamo, Sweden)	100%	100%
SealEco BV (former EPDM Systems BV) (Lemelerveld, Netherlands)	67%	0%
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%

## NOTE 14 ACQUISITIONS

**On 24 January 2017**, the acquisition of 67 percent of the shares and votes in the Dutch company EPDM Systems B.V. ("EPDM Systems", renamed to SealEco BV) was completed by Nordic Waterproofing Holding A/S's subsidiary, SealEco AB, for SEK 12 m, of which SEK 12 m was paid in cash on the transaction of ownership. Nordic Waterproofing has a call option and the minority shareholder (the CEO of EPDM Systems) has a put option for the remaining 33 percent of the shares. The option gives SealEco AB the right to buy, and the minority shareholder the right to sell, the shares after 1 January 2022. For accounting purposes, the combined call and put option has been classified as a financial liability, and consequently, no non-controlling interest has been recognized. 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 80 m and net profit of SEK 7 m to the Group for the period from 1 January to 31 December 2017.

**On 31 January 2017**, the acquisition of 100 percent of the shares and votes in the Finnish company SPT-Painting Oy was completed by Nordic Waterproofing Holding A/S's subsidiary, Nordic Waterproofing Oy, for SEK 31 m, of which SEK 31 m was paid in cash on the transaction of ownership. It has also been agreed that an earn-out may be paid within two years after completion of the acquisition depending on the financial performance of SPT-Painting. 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 75 m and net profit of SEK 5 m to the Group for the period from 1 February to 31 December 2017.

If the acquisition had occurred on 1 January 2017, consolidated proforma net sales and profit for the year ended 31 December 2017 would have been SEK 2,192 m and SEK 138 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 2017, together with consequential tax effects.

**On 28 April 2017**, 100 percent of the shares and votes in the Finnish company LA Kattohuolto Oy was completed by Nordic Waterproofing Holding A/S's subsidiary, Nordic Waterproofing Oy, for SEK 22 m on a cash and debt free basis. It has also been agreed that an earn-out may be paid within two years after completion of the acquisition depending on the financial performance of LA Kattohuolto. 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 19 m and net profit of SEK 5 m to the Group for the period from 1 May to 31 December 2017.

If the acquisition had occurred on 1 January 2017, consolidated proforma net sales and profit for the year ended 31 December 2017 would have been SEK 2,188 m and SEK 137 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 2017, together with consequential tax effects.

**On 4 July 2017**, the acquisition of 80 percent of the shares and votes in the Danish prefab specialist Taasinge Elementer A/S were acquired by Nordic Waterproofing Holding A/S's subsidiary, Nordic Waterproofing Holding DK ApS, for SEK 94 m on a cash and debt free basis, of which SEK 72 m was paid in cash on the transaction of ownership. It has also been agreed that an earn-out may be paid within one year after completion of the acquisition depending on the financial performance of Taasinge Elementer A/S. Nordic Waterproofing has a call option and the minority shareholders (the CEO and COO of Taasinge Elementer A/S) has a put option for the remaining 20 percent of the shares. The option gives Nordic Waterproofing DK Holding ApS the right to buy the shares after 4 July 2024, and the minority shareholder the right to sell the shares after 4 July 2022. For accounting purposes, the combined call and put option has been classified as a financial liability, and consequently, no non-controlling interest has been recognized. Intangible assets include the value of the order book at the date of the acquisition amounting to approximately SEK 11 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 4 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 92 m and net profit of SEK 3 m to the Group for the period from 1 July to 31 December 2017.

If the acquisition had occurred on 1 January 2017, consolidated proforma net sales and profit for the year ended 31 December 2017 would have been SEK 2,272 m and SEK 143 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 2017, together with consequential tax effects.

In addition, a number of minor acquisitions were carried out during 2017.

	Jan 2017	Jan 2017	Apr 2017	Jul 2017	2017	2017
Purchase consideration, SEK million	EPDM Systems B.V.	SPT-Painting Oy	LA Kattohuolto Oy	Taasinge Elementer A/S	Other	Total
Cash paid	12.3	30.6	26.2	71.5	9.9	150.5
Call/put option	10.6	0.0	0.0	16.1	0.0	26.7
Earn-out	0.0	0.0	0.0	16.3	4.7	21.0
<b>Total purchase consideration</b>	<b>22.9</b>	<b>30.6</b>	<b>26.2</b>	<b>103.9</b>	<b>14.6</b>	<b>198.2</b>

The acquired companies' net assets on the acquisition date:

	Jan 2017	Jan 2017	Apr 2017	Jul 2017	2017	2017
Acquisition analysis SEKm, unless otherwise stated	EPDM Systems B.V.	SPT- Painting Oy	LA Katto- huolto Oy	Taasinge Elementer A/S	Other	Total
Intangible assets	10.0	8.2	7.8	33.2	0.0	59.2
Tangible assets	1.2	2.8	2.8	22.6	2.9	32.3
Inventories	12.4	2.5	0.2	22.0	0.7	37.8
Trade and other receivables	7.7	7.2	1.8	27.8	0.0	44.5
Cash and equivalents	0.0	3.9	4.8	18.6	0.0	27.3
Other non-interest bearing liabilities	-6.2	-5.7	-1.8	-29.5	0.0	-43.2
Interest bearing liabilities	-4.6	-4.6	-1.0	-40.8	-0.3	-51.3
Deferred tax liabilities	-2.5	-1.6	-1.6	-9.0	0.0	-14.7
<b>Net assets and liabilities</b>	<b>18.0</b>	<b>12.7</b>	<b>13.0</b>	<b>44.9</b>	<b>3.3</b>	<b>91.9</b>
Goodwill	4.9	17.9	13.2	59.0	11.3	106.3
<b>Consideration</b>	<b>22.9</b>	<b>30.6</b>	<b>26.2</b>	<b>103.9</b>	<b>14.6</b>	<b>198.2</b>

Of the total consideration of SEK 22 m related to EPDM Systems, SEK 12 m has been paid in cash and SEK 10 m related to the call/put option has been deferred and classified as long-term debt. Of the total consideration of SEK 104 m related to Taasinge Elementer, SEK 72 m has been paid in cash and SEK 16 m relating to the earn-out has been classified as short-term debt. SEK 16 m related to the call/put option has been deferred and classified as long-term debt.

During the fourth quarter, the determination of the final initial purchase price and the acquisition balance were agreed with the sellers

of Taasinge Elementer A/S. Following the agreed acquisition balance, the final purchase price allocation analysis for Taasinge Elementer A/S was adjusted and minor adjustments (SEK 3 m) of the fair values for the combined call/put option and the additional purchase have been made, increasing goodwill accordingly. In addition, the purchase price allocation for EPDM Systems was restated and the fair value for the combined call/put option at the time of the acquisition was increased (SEK 4 m), increasing goodwill accordingly.

	Jan 2017	Jan 2017	Apr 2017	Jul 2017	2017	2017
Acquisition of business – net cash impact, SEK million	EPDM Systems B.V.	SPT- Painting Oy	LA Katto- huolto Oy	Taasinge Elementer A/S	Other	Total
Cash consideration	12.3	30.6	26.2	71.5	9.9	150.5
Less cash balances acquired	0.0	-3.9	-4.7	-18.6	0.0	-27.3
<b>Net cash impact – investing activities</b>	<b>12.3</b>	<b>26.6</b>	<b>21.5</b>	<b>52.9</b>	<b>9.9</b>	<b>123.2</b>

## 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, 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:

Carnegie funds, Stockholm, Sweden  
Swedbank Robur funds, Stockholm, Sweden  
Mawer Investment Management, Calgary, Canada  
Catella funds, Stockholm, Sweden  
Svolder, 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 interest can temporarily exceed

50 percent however as the intention of the Group is to remain a minority owner the interest shall decrease as soon as possibly viable. Therefore, temporary ownership exceeding 50 percent does not change the status of a associated company to subsidiary unless effects are considered to be substantial. The vast majority of the associated companies in the Group are customers to the Denmark subsidiaries, and also franchisees where they have access to the concepts and brands Phønix Tag and Hetag Tagdækning.

### COMPILATION OF RELATED PARTY TRANSACTIONS

SEK million	2017	2016
Sale of goods/ services and royalties to related parties	188.4	164.8
Purchases of goods/ services from related parties	0.0	0.0
Other (e.g. interest, dividends)	10.8	13.5
Receivables on related parties at 31 December	18.9	12.3
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 GOODWILL

### ACCOUNTING POLICIES

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.

SEK million	2017	2016
<b>Accumulated cost</b>		
Opening balance	616.0	598.4
Acquisition of business	106.3	0.0
Exchange-rate differences for the year	10.5	17.6
<b>Closing balance</b>	<b>732.8</b>	<b>616.0</b>
<b>Carrying amounts</b>		
At 1 January	616.0	598.4
<b>At 31 December</b>	<b>732.8</b>	<b>616.0</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 million	2017	2016
Products & Solutions	625.3	546.1
Installation Services	107.5	69.9
	<b>732.8</b>	<b>616.0</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 percent (2) per year. The cash flows have been present value calculated with a discount rate before tax of 10.2 percent (10.1) for Products & Solutions and 9.1 percent (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 percent) 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.

## NOTE 18 OTHER INTANGIBLE ASSETS

### ACCOUNTING POLICIES

#### Research and development

Expenditures for development, where research results or other knowledge is applied to achieve new or improved products or processes, are recognised as an asset in the 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, amortisation on patents and licences, borrowing expenses in accordance with IAS 23. Development expenditures recognised in the statement of financial position are initially measured at cost less accumulated amortisation and any impairment losses.

#### Other intangible assets

Other intangible assets acquired by the Group are recognised at cost less accumulated amortisation and any impairment losses. Other intangible assets primarily comprise acquired customer relationships. Customer relationships are amortised 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. The order book included in other intangible assets relates to earnings in acquired order book. It is amortised straight-line over 12 months and is included in the statement of profit or loss item Cost of goods sold. Software that has been developed or extensively adapted on behalf of the Group is also included among other intangible assets. Amortisation 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.

SEK million	Software	R&D	Capitalized expenses for ongoing projects	Customer relationships	Order book	Total
<b>At 1 January 2016</b>						
Cost	1.9	0.0	0.0	19.2	0.0	21.0
Accumulated amortization and impairment	-1.9	0.0	0.0	-10.5	0.0	-12.4
<b>Net book amount</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>8.7</b>	<b>0.0</b>	<b>8.7</b>
<b>2016</b>						
Opening net book amount	0.0	0.0	0.0	8.7	0.0	8.7
Reclassification	6.5	0.2	3.7	0.0	0.0	10.4
Amortization	-0.6	-0.1	0.0	-2.9	0.0	-3.6
Exchange-rate differences	0.0	0.0	0.0	0.7	0.0	0.7
<b>Closing net book amount</b>	<b>5.8</b>	<b>0.1</b>	<b>3.7</b>	<b>6.5</b>	<b>0.0</b>	<b>16.2</b>
<b>At 31 December 2016</b>						
Cost	8.4	0.2	3.7	21.1	0.0	33.4
Accumulated amortisation and impairment	-2.5	-0.1	0.0	-14.6	0.0	-17.2
<b>Net book amount</b>	<b>5.8</b>	<b>0.1</b>	<b>3.7</b>	<b>6.5</b>	<b>0.0</b>	<b>16.2</b>
<b>2017</b>						
Opening net book amount	5.8	0.1	3.7	6.5	0.0	16.2
Acquisitions	0.0	0.1	0.0	47.9	11.2	59.2
Investments	0.9	0.1	1.0	0.0	0.0	2.0
Reclassification	0.6	3.4	-3.9	0.0	0.0	0.1
Amortization	-1.5	-0.4	0.0	-7.4	-5.6	-14.9
Exchange-rate differences	0.1	0.1	0.0	0.9	0.1	1.1
<b>Closing net book amount</b>	<b>5.9</b>	<b>3.4</b>	<b>0.8</b>	<b>47.9</b>	<b>5.7</b>	<b>63.7</b>
<b>At 31 December 2017</b>						
Cost	10.0	3.9	0.8	69.9	11.3	95.9
Accumulated amortization and impairment	-4.1	-0.5	0.0	-22.0	-5.6	-32.2
<b>Net book amount</b>	<b>5.9</b>	<b>3.4</b>	<b>0.8</b>	<b>47.9</b>	<b>5.7</b>	<b>63.7</b>

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 million	2017	2016
Cost of goods sold	13.1	3.0
Administrative expenses	1.8	0.6
	<b>14.9</b>	<b>3.6</b>

## NOTE 19 PROPERTY, PLANT AND EQUIPMENT

### ACCOUNTING POLICIES

#### Owned assets

Property, plant and equipment are recognised 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 recognised as other operating income/expenses.

#### Subsequent expenditures

Subsequent expenditures are capitalised 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 capitalised if the expenditure pertains to replacements of identified components or parts thereof. The expenditure is also capitalised 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 recognised 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 recognised as a non-current or current liability. The leased assets are depreciated over the respective asset's useful life while the lease payments are recognised as interest and repayment of the liabilities.

Assets leased under operating leases as a rule are not recognised 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 recognised in the respective period. Variable payments are expensed in the periods in which they arise.

SEK million	Land and buildings	Machinery	Equipment & tools	Construction in progress	Total
<b>At 1 January 2016</b>					
Cost	100.1	112.3	37.6	19.5	269.5
Accumulated amortisation and impairment	-17.8	-46.5	-18.1	0.0	-82.4
<b>Net book amount</b>	<b>82.2</b>	<b>65.8</b>	<b>19.5</b>	<b>19.5</b>	<b>187.1</b>
<b>2016</b>					
Opening net book amount	82.2	65.8	19.5	19.5	187.1
Investments	0.2	5.4	6.1	8.9	20.7
Divestments and disposals	0.0	0.0	0.0	0.0	-0.1
Reclassification	0.0	11.5	3.6	-25.3	-10.2
Depreciation	-3.2	-13.4	-4.4	0.0	-20.9
Exchange-rate differences	2.1	0.9	0.3	0.2	3.5
<b>Closing 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>At 31 December 2016</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>

SEK million	Land and buildings	Machinery	Equipment & tools	Construction in progress	Total
<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>

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

SEK million	2017	2016
Cost of goods sold	22.0	18.0
Selling expenses	1.0	0.9
Administrative expenses	2.5	2.1
<b>Total</b>	<b>25.5</b>	<b>20.9</b>

## NOTE 20 OPERATING LEASES

### ACCOUNTING POLICIES

Expenses concerning operating leases are recognised 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 million	2017	2016
Within one year	25.4	23.4
Between one and five years	38.6	43.0
After more than five years	1.0	0.1
<b>Total</b>	<b>65.0</b>	<b>66.5</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 million	2017	2016
Minimum lease fees	26.6	24.9
Variable fees	0.0	0.1
<b>Total leasing costs</b>	<b>26.6</b>	<b>25.0</b>

No leased assets have been subleased.

## NOTE 21 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 million	2017	2016
Raw materials and consumables	61.1	45.4
Finished goods and goods for resale	198.5	128.2
<b>Total</b>	<b>259.6</b>	<b>173.6</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 22 TRADE RECEIVABLES

Trade receivable are recognised after consideration is taken to bad debt losses arising during the year that amounted to SEK -3.5 (-0.3) million.

For more information on credit risk in trade receivable, refer to Note 34.

## NOTE 23 RECEIVABLES FOR ON-GOING CONSTRUCTION CONTRACTS

SEK million	2017	2016
Performed revenues on on-going construction contracts	516.5	345.8
Invoicing on on-going construction contracts	-472.6	-321.1
<b>Total</b>	<b>43.9</b>	<b>24.7</b>

## NOTE 24 OTHER CURRENT RECEIVABLES

### ACCOUNTING POLICIES

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

SEK million	2017	2016
VAT receivables	3.2	3.0
Fair value, commodity derivatives	0.0	22.1
Balance on tax account	5.4	1.7
Other receivables	2.3	1.1
<b>Total</b>	<b>10.9</b>	<b>27.9</b>

## NOTE 25 PREPAID EXPENSES AND ACCRUED INCOME

SEK million	2017	2016
Prepaid sales and marketing expenses	2.4	1.1
Prepaid energy costs	0.2	0.2
IT	1.5	1.8
Insurance	1.3	1.0
Rent	2.4	1.7
Supplier bonuses	0.0	2.8
Other	5.7	2.9
<b>Total</b>	<b>13.5</b>	<b>11.6</b>

## NOTE 26 OTHER CURRENT LIABILITIES

### ACCOUNTING POLICIES

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

SEK million	2017	2016
Personnel-related liabilities	9.4	6.0
VAT liabilities	18.7	5.3
Customer bonuses	4.6	4.4
Advances from customers	2.9	0.0
Short term earn-out liability	18.6	0.0
Other liabilities	3.0	4.5
<b>Total</b>	<b>57.2</b>	<b>20.2</b>

## NOTE 27 ACCRUED EXPENSES AND PREPAID INCOME

SEK million	2017	2016
Personnel-related expenses	90.7	79.3
Interest expenses	1.2	1.2
Customer bonuses	17.3	13.4
Claims	6.9	5.3
Other	17.0	10.7
<b>Total</b>	<b>133.1</b>	<b>109.8</b>

## NOTE 28 OTHER INVESTMENTS

SEK million	2017	2016
<b>Financial assets available for sale</b>		
Shares and participations	2.0	1.9

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. The shares have therefore been valued at cost in accordance with the requirements in IAS 39. The shares belong to the measurement category "Financial assets available-for-sale" in IAS 39.

## NOTE 29 CASH AND CASH EQUIVALENTS

SEK million	2017	2016
<b>The following subcomponents are included in cash and cash equivalents:</b>		
Cash and bank balances	156.8	328.4
Total as per balance sheet	156.8	328.4
<b>Total as per cash flow statement</b>	<b>156.8</b>	<b>328.4</b>

## NOTE 30 EQUITY

### SHARE CAPITAL AND NUMBER OF SHARES

Stated in number of shares	2017	2016
Issued at 1 January	24,083,935	11,546,831
Issue of bonus shares, May 2016	-	2,297,819,369
Change of the nominal value of each share, May 2016	-	-2,286,272,538
Elimination of liquidation preference	-	22,389
Exercise of warrants, June 2016	-	967,884
<b>Issued at 31 December – paid</b>	<b>24,083,935</b>	<b>24,083,935</b>

### Number of shares by class:

	2017	2016
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.

### 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 recognised 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 (0.0) million has been paid to the owners during 2017, why leverage has increased and amounts to 0.8x EBITDA (0.1x) as per the end of the reporting period.

**NOTE 31 EARNINGS PER SHARE**

SEK million	2017	2016
Earnings per share before and after dilution	5.71	6.49

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 million	2017	2016
Profit/loss attributable to Parent Company shareholders, before and after dilution	136.9	156.2

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

In shares	2017	2016
Total number of shares, 1 January	24,083,935	23,093,662
Effect of new share issue	-	990,273
<b>Weighted average number of shares during the year, before and after dilution</b>	<b>24,083,935</b>	<b>24,083,935</b>

**NOTE 32 INTEREST-BEARING LIABILITIES****ACCOUNTING POLICIES**

Non-current liabilities essentially consist of amounts expected to be paid after more than 12 months from the reporting date. Current liabilities essentially consist of amounts expected to be paid within 12 months of the reporting date.

SEK million	2017	2016
<b>Non-current liabilities</b>		
Bank loans	360.3	352.9
Finance lease liabilities	0.0	0.0
<b>Total</b>	<b>360.3</b>	<b>352.9</b>

The non-current part of bank loans has been reduced by SEK 2.8 (3.6) million with regard to period-allocated arrangement costs for bank loans.

SEK million	2017	2016
<b>Current liabilities</b>		
Current part of bank loans	0.0	0.0
Current part of finance lease liabilities	0.0	0.5
<b>Total</b>	<b>0.0</b>	<b>0.5</b>

The current part of bank loans has been reduced by SEK 0.0 (0.0) million 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 million	2017	2016
<b>Interest-bearing liabilities at the beginning of the year</b>	<b>353.4</b>	<b>322.8</b>
Assumed loans and borrowings in acquired companies	48.8	0.0
Proceeds from loans and borrowings	0.4	347.6
Repayment of loans and borrowings	-50.1	-343.0
Period-allocated arrangement costs for bank loans	0.8	3.6
Capitalized interest cost	0.0	9.3
Exchange-rate differences for the year	7.0	13.1
<b>Interest-bearing liabilities at the end of the year</b>	<b>360.3</b>	<b>353.4</b>

**NOTE 33 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 million	2017	2016
Long term put option liabilities	31.0	0.0
Long term additional consideration liability	4.3	0.0
Other liabilities	1.8	0.0
<b>Total</b>	<b>37.1</b>	<b>0.0</b>

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

## 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.

In connection with the Initial Public Offering in June 2016, the Group's principal external financing was replaced by a new agreement valid until

June 2021. On 31 December 2017, the Group's non-current interest-bearing liabilities comprises of a EUR 37.5 (37.5) million 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 million. 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 156.8 (328.4) million. In addition, there were unutilised credit facilities in the form of overdraft facilities of EUR 14.4 (14.4) million, corresponding to SEK 141.8 (137.8) million.

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.

2017 SEK million	Nominal amounts	Contractual payments of capital amounts and interest				
		Jan–June 2018	July–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	–
Current interest-bearing liabilities						
<i>Finance lease liabilities</i>	0.0	–	–	–	–	–
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 put option liability</i>	31.0	–	–	–	31.0	–
<i>Long term additional consideration 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>

2016 SEK million	Nominal amounts	Contractual payments of capital amounts and interest				
		Jan–June 2017	July–Dec 2017	2018	2019 to 2022	After 2022
<b>Interest-bearing liabilities</b>						
Non-current interest-bearing liabilities						
<i>Bank loans</i>	352.9	–	–	–	352.9	–
Current interest-bearing liabilities						
<i>Finance lease liabilities</i>	0.5	0.5	–	–	–	–
Interest	26.2	2.9	2.9	5.8	14.6	–
<b>Non-interest-bearing liabilities</b>						
<i>Trade payable</i>	66.0	66.0	–	–	–	–
<i>Accrued interest expenses</i>	1.4	1.4	–	–	–	–
<b>Total</b>	<b>446.9</b>	<b>70.8</b>	<b>2.9</b>	<b>5.8</b>	<b>367.5</b>	<b>0.0</b>
Less bank balances	–328.4	–328.4	–	–	–	–
<b>Net</b>	<b>118.5</b>	<b>–257.6</b>	<b>2.9</b>	<b>5.8</b>	<b>367.5</b>	<b>0.0</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 2.0 (0.2) million 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 and NOK) 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 2017, 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 recognised in other comprehensive income and accumulated in a special reserve, called a translation reserve. In 2017 the translation differences amounted to SEK 19.8 (18.2) million.

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 274.2 (199.8) million compared to outstanding loans in EUR of SEK 156.3 (151.8) million. The part of exchange rate gains/losses on the loans in EUR related to the hedge of translation exposure is recognised in other comprehensive income, while the remaining part of the exchange rate gains/losses is recognised as finance income/costs in the consolidated statement of profit or loss. Gains/losses on the loans in EUR related to the hedge of translation exposure recognised in other comprehensive income amounted to SEK -4.5 (-7.1) million.

The net translation differences, which mainly related to Denmark and Norway, amounted to SEK 15.3 (11.1) million. At the reporting date the accumulated translation differences after tax recognised in the translation reserve amounted to SEK 23.0 (6.8) million.

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 DKK is the most significant. A 10 percent strengthening/weakening of the DKK against the SEK would have affected the Group's net financial items by SEK +/- 8.5 (16.8) million, given the cash holdings on the reporting date, and other comprehensive income would have been affected by translation differences of SEK +/- 40.4 (11.8) million.

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 +/- 2.7 (4.9) million, 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 +/- 11.8 (4.8) million including the effect of hedge arrangements mentioned above and as set out in the below schedule:

SEK million	2017	2016
Bank loan in EUR	156.3	151.8
Bank overdraft in EUR	27.4	49.0
<b>Gross exposure in EUR</b>	<b>183.7</b>	<b>200.8</b>
Hereof designated as net investment hedge instrument	-156.3	-151.8
<b>Net exposure in EUR</b>	<b>27.4</b>	<b>49.0</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 million	2017	2016
<b>Profit and loss statement</b>		
Exchange gain on bank loan	15.6	15.2
Exchange gain on bank overdraft	2.7	4.9
<b>Gross effect on profit and loss statement</b>	<b>18.3</b>	<b>20.1</b>
Hedge part of gain on bank loan	-15.6	-15.2
<b>Net effect on profit and loss statement</b>	<b>2.7</b>	<b>4.9</b>
<b>Other comprehensive income</b>		
Translation loss on subsidiaries in EUR countries (Finland, Belgium and the Netherlands)	-27.4	-20.0
Hedge part of gain on bank loan	15.6	15.2
<b>Net effect on comprehensive income</b>	<b>-11.8</b>	<b>-4.8</b>
<b>Total effect on profit &amp; loss statement and comprehensive income</b>	<b>-9.1</b>	<b>0.1</b>

A 10 percent strengthening/weakening of the NOK against the SEK would have affected the Group's net financial items by SEK +/- 3.8 (3.0) million, given the cash holdings on the reporting date, and other comprehensive income would have been affected by translation differences of SEK +/- 3.9 (3.6) million.

## 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 2017, these materials accounted for 64 percent (59) 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 HSF0 (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 HSF0 price. As from December 2015 hedge accounting is applied as conditions for qualification are fulfilled.

### Sensitivity analysis, bitumen price

A 10 percent increase/decrease in the price of bitumen would have impacted the statement of profit and loss in an amount of SEK +/- 12.1 (10.4) million without taking into consideration the effect of fair value changes on any outstanding bitumen derivative contracts. Expressed as changes in the underlying HSF0 price, a 10 USD per ton increase/decrease would have impacted the statement of profit and loss by approximately SEK +/- 3.6 (3.4) million.

As at 31 December 2017, there were no outstanding hedge agreements (expected purchases of bitumen for delivery during January to September

2017, in total equivalent to 30,000 tons or approximately 80 percent of the expected annual purchasing volume were hedged at the end of 2016).

A 10 percent increase/decrease in the price of bitumen would have impacted the fair value of outstanding derivative instruments in an amount of SEK +/- 0.0 (8.1) million, which would have affected other comprehensive income for 2017.

## 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 2017, no single customer accounted for more than 3.7 (4.0) percent of consolidated sales, and the five largest customers accounted for 13.2 (14.1) 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.

### AGE ANALYSIS, OVERDUE UNIMPAIRED TRADE RECEIVABLE

SEK million	2017	2016
Trade receivable not overdue	147.7	111.9
Overdue 1–30 days	40.8	24.8
Overdue 31–90 days	6.2	8.4
Overdue > 90 days	5.1	4.6
<b>Carrying amount</b>	<b>199.8</b>	<b>149.7</b>

### RESERVE FOR DOUBTFUL RECEIVABLES

SEK million	2017	2016
Opening balance	-1.8	-2.1
Reversal of previously applied impairment losses	0.8	0.2
Write-off of previous credit losses	0.5	0.3
Credit losses for the year	-3.5	-0.3
Exchange-rate differences for the year	0.0	0.0
<b>Closing balance</b>	<b>-3.9</b>	<b>-1.8</b>

All impaired trade receivables are overdue more than 90 days.

### 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.

### 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 in IAS 39.

SEK million	Financial assets at fair value through profit or loss	
	2017	2016
<b>Financial assets at fair value</b>		
Other current receivables		
Commodity derivatives	0.0	22.1
<b>Total financial assets at fair value</b>	<b>0.0</b>	<b>22.1</b>

SEK million	Loans and receivables	
	2017	2016
<b>Financial assets not measured at fair value</b>		
Non-current receivables from associated companies	5.8	5.2
Other non-current receivables	12.0	0.0
Current receivables from associated companies	13.0	7.1
Receivables for on-going construction contracts	43.9	24.7
Current tax assets	1.9	0.0
Other current receivables	10.9	27.9
Accounts receivable	199.8	149.7
<b>Total financial assets not measured at fair value</b>	<b>287.3</b>	<b>214.6</b>
<b>Total financial assets</b>	<b>287.3</b>	<b>236.7</b>

SEK million	Financial liabilities at fair value through profit or loss	
	2017	2016
<b>Financial liabilities at fair value</b>		
Other non-current liabilities		
Long term put option liability	31.0	0.0
Long term earn out liability	4.3	0.0
Other current liabilities		
Short term earn out liability	18.6	0.0
<b>Total financial liabilities at fair value</b>	<b>53.9</b>	<b>0.0</b>

SEK million	Financial liabilities at amortised cost	
	2017	2016
<b>Financial liabilities not measured at fair value</b>		
Non-current interest-bearing liabilities	360.3	352.9
Current interest-bearing liabilities	0.0	0.5
Trade payable	90.7	66.0
Other current liabilities	38.9	21.4
Accrued interest expenses	1.2	1.2
<b>Total financial liabilities not measured at fair value</b>	<b>491.1</b>	<b>441.8</b>
<b>Total financial liabilities</b>	<b>545.0</b>	<b>441.8</b>

Financial instruments measured at fair value in the balance sheet consist of contingent liabilities arising from acquisitions. The fair value of these liabilities has been established through a discount of expected future payments. The fair value measurement belong to level 3 in the fair value hierarchy in IFRS 13.

## 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 recognised 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 million	2017	2016
<b>Contingent liabilities</b>		
Guarantees for the benefit of subsidiaries	39.4	40.7
Guarantees for the benefit of associated companies	42.5	40.2
<b>Total contingent liabilities</b>	<b>81.9</b>	<b>80.8</b>

Security in the form of guarantee commitments have been made for the benefit of the Finnish Group companies' completion guarantees for contractor projects in a maximum of EUR 4.0 (4.25) million corresponding to SEK 39.4 (40.7) million at the reporting date, and a total of DKK 17.1 (16.2) million (corresponding to SEK 22.6 (20.8) million at the reporting date) for the benefit of the Danish associated companies' credit commitments. The latter guarantees are, however, limited per company and amount to a maximum of DKK 2.5 (1.5) million corresponding to SEK 3.3 (1.9) million 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 (15.0) million corresponding to SEK 19.8 (19.3) million.

On 20 November 2014, the Danish Competition and Consumer Authority ("DCCA") carried out an investigation of, among others, the Danish subsidiary Nordic Waterproofing A/S due to its involvement in the trade organisation Danske Tagpapfabrikanter Brancheforening and, in particular, the independent information council Tagpapbranchens Oplysningsråd ("TOR"). This investigation formed part of an investigation carried out by the DCCA of the felt roofing industry in Denmark.

On 31 May 2017, the DCCA decided that Nordic Waterproofing A/S, Icopal Danmark ApS, Danske Tagpapfabrikanter Brancheforening and TOR were in breach of the Danish Competition Act by having concluded a restrictive trade agreement. The Authority assesses that the Danish Prosecutor for Serious Economic and International Crime (SØIK) should be notified of this case for the purpose of prosecution.

However, the notification of SØIK by the Danish Competition and Consumer Authority awaits the outcome of the appeal of the Company and the other parties.

The Company and the other parties dispute the Authority's decision and have thus brought the case before the Danish Competition Appeals Board. The decision of the Competition Appeals Board is expected during the second half of 2018 and may be brought before the courts.

Nevertheless, if the Danish Competition Appeals Board follows the recommendations of the Danish Competition and Consumer Authority and decides that Nordic Waterproofing A/S is in breach of the Danish competition rules, the Company may risk an order to pay a fine and compensation in a civil action. The amount of such a fine cannot be predicted, but according to a legal assessment, it is probable that the breach will be considered a "serious breach", which under applicable guidelines on fines will be assessed based on a basic amount of DKK 4–20 million.

As the Management of the Nordic Waterproofing Group disagrees with the decision of the Danish Competition and Consumer Authority and considering that the investigation is still pending and the outcome is uncertain, provisions have not been made in the Annual Report in this respect.

The decision of the Authority has resulted in two civil law proceedings raising a claim (in solidum) totalling DKK 136.3 million due to the claimed restrictive trade agreement.

As Nordic Waterproofing A/S disputes this decision, it also disputes any liability in respect of the two civil law proceedings referred to above. Both proceedings have however been suspended to await the decision (preliminary) from the Danish Competition Appeals Board. A final decision in respect of the two proceedings is therefore not expected to be made until the final decision has been made in the first case. 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 million	2017	2016
<b>PwC</b>		
Statutory audit	2.4	2.1
Other assurance services	0.3	1.4
Tax consulting	1.1	1.7
Other services	5.7	2.1
<b>Total</b>	<b>9.5</b>	<b>7.3</b>
<b>Other auditors</b>		
Statutory audit	0.3	0.3
Tax consulting	0.0	1.0
Other services	0.0	1.0
<b>Total</b>	<b>0.3</b>	<b>2.2</b>

Non-statutory services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab SEK 0.7 (3.1) million consist 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, ie 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 million	2017	2016
<i>The following subcomponents are included in cash and cash equivalents:</i>		
Cash and bank balances	156.8	328.4
<b>Total as per statement of financial position</b>	<b>156.8</b>	<b>328.4</b>
<b>Total as per statement of cash flows</b>	<b>156.8</b>	<b>328.4</b>

Adjustment for non-cash items SEK million	2017	2016
Depreciation/amortization	40.3	24.5
Participations in associated company earnings	-15.1	-12.5
Reversed impairment losses	0.0	-1.8
Exchange-rate differences	6.6	-1.5
Other items	-8.1	-1.5
<b>Total</b>	<b>23.7</b>	<b>7.2</b>

## NOTE 38 EVENTS AFTER THE REPORTING DATE

On 20 December 2017, Taasinge Elementer A/S signed an agreement to acquire a production plant in Denmark for prefabricated roofing and façade elements, by means of an acquisition of assets, from Ugilt Savværk. The unit has 40 employees in northern Jutland and sales for 2017 was approximately SEK 50 m. The consideration amounts to DKK 18 m and is being financed through Nordic Waterproofing's available cash and bank balances. The acquisition was finalized as of 4 January 2018 and is consolidated into the Products & Solutions segment.

On 1 March 2018, Taasinge Elementer A/S acquired 75 percent of the shares in the Norwegian company Ringsaker Vegg- og Takelementer AS ("RVT"). The company is one of Norway's leading manufacturer of prefabricated façade elements based on wooden frame constructions to the construction industry. RVT has an annual sales of approximately SEK 100 m and 50 employees. The consideration amounts to SEK 38 m on a cash and debt-free basis. Sellers are the company's management and founders and the acquisition was financed through Nordic Waterproofing's existing credit facilities. RVT is consolidated into the Products & Solutions segment as of 1 March 2018.

Both Ugilt and RVT forms part of the strategy to make Taasinge Elementer and Nordic Waterproofing a major player in the Nordic market for prefabricated roofing and façade elements.

## PARENT COMPANY STATEMENT OF PROFIT OR LOSS

SEK million	Note	2017	2016
Net sales		5.9	4.8
Administrative expenses		-18.7	-23.1
<b>Operating profit</b>		<b>-12.8</b>	<b>-18.4</b>
Financial income – dividend received from subsidiaries		100.0	28.1
Financial expenses		-0.4	-1.9
<b>Net finance items</b>		<b>99.6</b>	<b>26.2</b>
<b>Profit before tax</b>		<b>86.8</b>	<b>7.9</b>
Tax	2	2.9	2.4
<b>PROFIT FOR THE YEAR</b>		<b>89.7</b>	<b>10.3</b>

Proposed distribution of profit, see Note 6.

## PARENT COMPANY STATEMENT OF FINANCIAL POSITION

SEK million	Note	2017	2016
<b>Assets</b>			
Investments in subsidiaries	3	523.6	509.4
<b>Total non-current assets</b>		<b>523.6</b>	<b>509.4</b>
Other current receivables from Group companies		6.2	3.5
Current tax assets		7.2	2.4
Cash and cash equivalents		31.2	35.5
<b>Total current assets</b>		<b>44.6</b>	<b>41.5</b>
<b>TOTAL ASSETS</b>		<b>568.2</b>	<b>550.8</b>
<b>Equity</b>			
Share capital		30.0	30.0
Retained earnings including profit for the year		437.7	423.5
Proposed dividend for the financial year		90.3	90.3
<b>TOTAL EQUITY</b>	5	<b>558.0</b>	<b>543.8</b>
<b>Liabilities</b>			
Trade payable		1.0	0.6
Accrued expenses		3.5	6.5
Other non-interest bearing liabilities		0.8	0.0
Other current liabilities to Group companies		4.9	0.0
<b>Total current liabilities</b>		<b>10.2</b>	<b>7.1</b>
<b>TOTAL LIABILITIES</b>		<b>10.2</b>	<b>7.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>568.2</b>	<b>550.8</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 million	Share capital	Dividend	Retained earnings	Total
<b>Equity as at 1 January 2016</b>	<b>0.1</b>	<b>0.0</b>	<b>481.9</b>	<b>482.0</b>
Repurchased warrants	-	-	-23.0	-23.0
Bonus issue of shares	28.6	-	-28.6	0.0
New issue of shares	1.2	-	47.4	48.6
Profit/loss for the financial year	-	-	10.3	10.3
Proposed dividend for the financial year	-	90.3	-90.3	0.0
Exchange differences for the year in translation of foreign operations	-	-	25.8	25.8
<b>Equity as at 31 December 2016</b>	<b>30.0</b>	<b>90.3</b>	<b>423.5</b>	<b>543.8</b>

SEK million	Share capital	Dividend	Retained earnings	Total
<b>Equity as at 1 January 2017</b>	<b>30.0</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>90.3</b>	<b>437.7</b>	<b>558.0</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 million	2017	2016
<b>Current tax expense (-) / tax revenue (+)</b>		
Tax expense for the period	2.9	2.4
Adjustment of tax attributable to earlier years	0.0	0.0
	2.9	2.4
<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>2.9</b>	<b>2.4</b>

### NOTE 3 INVESTMENTS IN SUBSIDIARIES

SEK million	2017	2016
<b>Accumulated cost</b>		
Opening balance, 1 January	509.4	484.5
Exchange-rate differences for the year	14.2	24.8
<b>Closing balance, 31 December</b>	<b>523.6</b>	<b>509.4</b>

#### Holdings in subsidiaries

Refer to note 13 in the notes for the consolidated financial statements. Dividend received from subsidiaries are recognised 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 2017 of SEK 85.4 (88.6) million and a shareholders equity at 31 December 2017 of SEK 676.7 (691.3) million.

### 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:

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



**NOTE 5 EQUITY**

	2017	2016
<b>Stated in number of shares</b>		
Issued as at 1 January	24,083,935	11,546,831
Issue of bonus shares, May 2016	-	2,297,819,369
Change of the nominal value of each share, May 2016	-	-2,286,272,538
Elimination of liquidation preference	-	22,389
Exercise of warrants, June 2016	-	967,884
<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).

Holder 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 million	2017	2016
Proposed dividends	90.3	90.3
Retained earnings	-0.6	-80.0
<b>Total</b>	<b>89.7</b>	<b>10.3</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 million	2017	2016
<b>PwC</b>		
Statutory audit	0.5	0.5
Other assurance services	0.3	0.4
Tax consulting	0.0	0.4
Other services	0.4	2.3
<b>Total</b>	<b>1.2</b>	<b>3.6</b>

Non-statutory services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab SEK 0.7 (3.1) million 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 2017.

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 Financial Statements Act.

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 2017 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 2017.

In our opinion, Management's Review

includes a true and fair account 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, 27 March 2018

## EXECUTIVE BOARD




Martin Ellis  
*President and CEO*

## THE BOARD OF DIRECTORS



Ulf Gundemark  
*Chairman*



Mats O. Paulsson



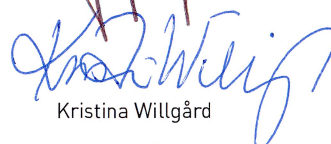
Riitta Palomäki



Christian Frigast



Jørgen Jensen



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 2017 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2017 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 2017 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2017 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 2017 comprise the consolidated profit or loss statement and statement of comprehensive income, the consolidated statement of financial position, the consolidated

statement of changes in equity, the consolidated statement of cash flows 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 2017 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 the 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 were appointed by shareholder resolution for the financial year 2017.

## 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 2017. 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 797 million at December 31 2017, comprising goodwill of SEK 733 million, customer relationships of SEK 48 million, software of SEK 6 million and other of SEK 10 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 revenue growth, profit 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 (Goodwill) and 18 (Other intangible assets).</p>	<p>In addressing the risk, we considered the appropriateness of Management defined cash-generating units (CGUs) within the business. We tested 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 challenged Management on 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 and Consumer Authority has issued a decision to providers of waterproofing products in Denmark, including Nordic Waterproofing A/S. The Decision relates to the application of the standard setting organization TOR's product standards for waterproofing products and orders TOR to repeal its product standards and Nordic Waterproofing A/S to seize its participation in TOR. Furthermore the Danish Competition Council has assessed that the case has to be handed over to the Danish Prosecutor for Serious Economic and International Crime (SØIK) in order to pursue a fine to be imposed. However, this awaits Nordic Waterproofing A/S and the other parties' appeal.</p> <p>A decision from the Competition Appeals Board is expected during the second half of 2018 and this decision can be appealed to the ordinary courts. The Group may be fined, just as there is a risk of secondary damages.</p> <p>The outcome of the case cannot be predicted with certainty, but a decision that goes against the Group'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 Supervisory Board, obtained external legal confirmation letter and obtained a representation letter from the Group.</p> <p>We also assessed the disclosure regarding contingent liabilities as contained in Note 35 Contingent liabilities.</p> <p>We used professional scepticism 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, 27 March 2018

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.

## 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 most 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

## 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°.

## 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 2018

1 April-2 May	Silent period
20 April	Annual General Meeting
3 May	Interim Report, January–March 2018
1 July–15 August	Silent period
16 August	Interim Report, January–June 2018
1–31 October	Silent period
1 November	Interim Report, January–September 2018

Nordic Waterproofing Holding A/S is a Danish public limited liability company domiciled in Vejen, Denmark. Corporate registration number: 33395361. LEI code: 549300EJEXC4KOSU1651. 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 2017 Annual Report was published in March 2018.

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, 2016.

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 2018

The Annual General Meeting of Nordic Waterproofing Holding A/S will take place on Friday, 20 April at 10:00 a.m., at Mindpark, Bredgatan 11, Helsingborg, Sweden.

## PROGRAMME

9:00 a.m. Registration and light refreshments  
10:00 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 Friday 13 April 2018 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 Friday 13 April 2018.

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

## PROPOSALS TO ANNUAL GENERAL MEETING 2018

The Board of Directors and the CEO propose that shareholders be paid a cash dividend of SEK 3.75 per share (3.75). Tuesday, 24 April 2018 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 Friday, 27 April 2018.



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 and Germany. 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 nine 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, SealEco, SPT-Painting and Taasinge Elementer. Nordic Waterproofing is listed in the Mid Cap segment on Nasdaq Stockholm with the stock ticker NWG. In 2017, the Group had revenues of SEK 2,187 million, with more than 830 employees and operations in 10 countries.

# NORDIC WATERPROOFING

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