

ANNUAL REPORT 2019



Sustainable waterproofing  
and building solutions

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

# CONTENTS

CEO message	3
<b>MANAGEMENT'S REVIEW</b>	<b>4-51</b>
The year in brief	4
Multi-year overview	5
Four reasons to invest in Nordic Waterproofing	6
<b>Strategy and operations</b>	<b>7-28</b>
Driving forces in the waterproofing and construction market	8
The market	10
Business concept, mission and values	15
Strategy: Increased focus on sustainable building solutions	17
Customer and sustainability focus drive our business model	20
Operating segment: Products & Solutions	22
Operating segment: Installation Services	26
<b>Environmental, Social and Governance</b>	<b>29</b>
Sustainable enterprise	30
Manufacturing and environment	31
Social enterprise	33
Corporate governance	35
Risks and risk management	45
The share and ownership information	48
Financial review	50
<b>FINANCIAL INFORMATION</b>	<b>52-84</b>
Statement by the Executive Board and the Board of Directors	85
Independent Auditor's Report	86
Financial definitions and Glossary	89
Shareholder's information	90

## FINANCIAL CALENDAR 2020

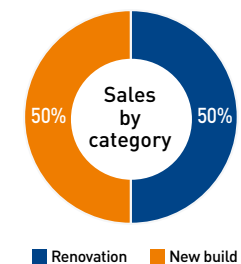
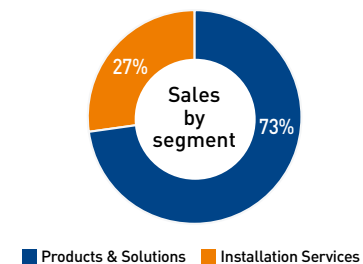
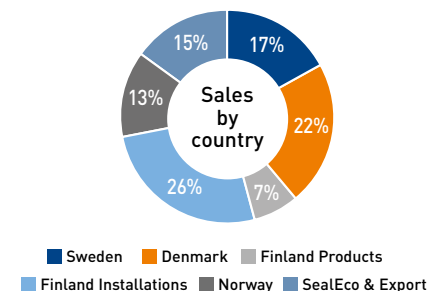
Postponed	Annual General Meeting
May 4	Interim Report, January-March 2020
July 24	Interim Report, January-June 2020
November 3	Interim Report, January-September 2020

# SUSTAINABLE WATERPROOFING AND BUILDING SOLUTIONS

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

FOUNDED IN <b>2011</b>	LISTED ON NASDAQ <b>2016</b> STOCKHOLM, MID CAP	OPERATIONS IN <b>10</b> COUNTRIES	NUMBER OF EMPLOYEES <b>1,116</b>	SALES IN 2019 (SEK M) <b>3,122</b>
------------------------------	--	--	--	--

<b>PRODUCTS &amp; SOLUTIONS</b> 73% of net sales for 2019 	<b>INSTALLATION SERVICES</b> 27% of net sales for 2019 
--	---



# PROFITABLE GROWTH

I am pleased to report yet another record year for our Group. Solid sales growth and a jump in profitability confirm the validity of our business model of intense customer focus and workplace excellence.

## 2019 IN NUMBERS

Consolidated net sales for full-year 2019 amounted to SEK 3,122 m, an increase of 16 percent, and EBITDA rose by 35 percent to SEK 371 m. Earnings per share for full-year 2019 were SEK 8.19 (6.30). The operating cash flow of SEK 306 m (180) was the result of increased earnings. The Board of Directors accordingly proposes a dividend of SEK 4.50 per share (4.00).

## SALES GROWTH IN ALL UNITS

Based on continued favorable demand levels for our products and services in the countries we serve, as well as market share gains in most of our businesses, we have achieved sales growth in all of our business units.



We have increased profitability significantly in most of our operations in 2019, thus achieving a jump of 35% EBITDA, and a 14.2% ROCE level

## JUMP IN PROFITABILITY

We have increased profitability significantly in most of our operations in 2019, thus achieving a jump of 23% in operating profit, and a 14.2% ROCE level. At the same time, there remains additional room for improvement in our Norwegian waterproofing business, as well as in our prefabricated roof and facade elements business.

## SUSTAINABILITY

This has been and definitely remains a key focus area for us at Nordic Waterproofing. In terms of positioning and developing our portfolio to provide innovative solutions that contribute towards making construction sustainable and reduce CO<sub>2</sub> footprints, we have made significant acquisitions over the last three years and will continue to extend our relevant products and services. In parallel we continuously reduce the environmental footprint of our legacy bituminous waterproofing products. It is worth remembering that the latter uses already today a majority of input materials that are either waste from refineries (bitumen) or made from recycled plastic bottles (polyethylene carrier/fleece). The unmatched longevity of our products is of course another important contributor towards a positive environmental impact.

## ACQUISITIONS AND GROWTH STRATEGY

We have pursued our acquisition strategy with Distri Pond, a Belgian specialist supplier of ponds and green infrastructure. Distri Pond has performed well and in line with expectations. Our acquisition strategy remains focused on targets that offer sustainable and environmentally efficient building solutions. We continue to actively search for suitable targets, while maintaining a disciplined approach in the current high multiples environment. We intend to generate sales growth through extending the reach of our recently acquired businesses and by offering sustainable building solutions that benefit from above average demand growth.

## OUTLOOK

The underlying demand was strong in the beginning of 2020 but the COVID-19 global pandemic has brought a large amount of uncertainty in foreseeing our business' development. Our strong financial position with a solid balance sheet following strong results and cashflows from previous years gives us respite in meeting an uncertain 2020. Right now, safety of our colleagues is top priority and of course to keep up continued service to our customers wherever possible.

## CONCLUSION

After another successful year, I want to thank all our customers for their trust and support, and all my colleagues in Nordic Waterproofing for their outstanding contribution to our Group's performance.



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

# THE YEAR IN BRIEF

- Healthy demand in all market segments
- Positive contribution from profit improvement measures in Installation Services Finland
- Sales growth in prefabricated elements business, however insufficient profitability. Comprehensive profit improvement program implemented
- Builders merchant's Best supplier nominations both in Sweden and Norway
- One larger acquisition in Q1 2019, Distri Pond in Belgium
- Nynas, The Group's main supplier of bitumen, has filed for company reorganization. The initial assessment is that Nynas' decision does not affect our operations

## MARKET STATUS AND PERSPECTIVES UNCHANGED

- Continued consolidation within builders' merchants in all Nordic countries, primarily affecting Nordic Waterproofing in Sweden and Norway
- The decreased private housing building starts in Sweden have not affected our sales
- Active competition in flat roofing, but Nordic Waterproofing has successfully increased its market shares in Norway and Sweden
- Flat roofing market remains at healthy levels. Somewhat more cautious market expectations going forward in Finland
- Continued strong market for prefabricated facade elements in Norway

KEY FIGURES* (SEKm)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Full year 2019	Full year 2018
Net sales	569	889	901	763	3,122	2,680
EBITDA	18	124	137	91	371	274
EBITDA margin, %	3.1%	13.9%	15.3%	12.0%	11.9%	10.2%
Operating profit (EBIT)	-7	95	109	62	260	212
EBIT margin, %	-1.2%	10.7%	12.1%	8.2%	8.3%	7.9%
ROCE (R12), %	12.0%	12.5%	13.1%	14.2%	14.2%	14.0%
Net profit	-10	67	78	61	196	152
Operating cash flow	-49	73	145	137	306	180
Operating cash conversion (R12), %	71%	76%	74%	83%	83%	65%
Net debt	783	870	745	610	610	442
Earnings per share before dilution, SEK	1.03	-0.44	2.79	2.56	8.19	6.30

## NET SALES BY SEGMENT (SEKm)

Products & Solutions	445	688	671	554	2,358	2,023
Installation Services	138	234	262	232	866	752
Group Items & Eliminations	-14	-34	-33	-22	-103	-96
Total	569	889	901	763	3,122	2,680

## NET SALES BY COUNTRY (SEKm)

Sweden	75	171	164	124	535	441
Norway	79	122	111	99	412	304
Denmark	142	175	193	190	699	708
Finland	158	271	302	247	978	856
Europe	114	148	129	101	492	366
Rest of world	1	3	2	1	6	5
Total	569	889	901	763	3,122	2,680

\*Q1-Q4 2019 and Full year 2019 have been affected by implementation of IFRS 16, and comparative figures for previous year have not been restated.

Please see following page 5 for multi year figures.

# MULTI-YEAR OVERVIEW

Profit/loss* (SEKm unless otherwise stated)	2019	chg %	2018	2017	2016	2015	2014	2013	2012
Net sales	3,122	16%	2,680	2,187	1,813	1,720	1,679	1,668	1,672
EBITDA	371	35%	274	234	231	165	143	141	97
Operating profit (EBIT)	260	23%	212	194	206	143	122	122	77
Net financial items	-28	26%	-22	-20	-13	-27	-25	-30	-37
Profit/loss for the year before tax	233	22%	190	174	193	116	96	92	40
Tax on profit/loss for the year	-37	-5%	-39	-37	-37	-34	-19	-21	-13
Net profit/loss for the year	196	29%	152	138	156	82	77	71	27
Earnings per share before dilution, SEK/share	8.19	30%	6.30	5.71	6.49	3.40	3.19	2.95	1.13
Earnings per share after dilution, SEK/share	8.13	29%	6.30	5.71	6.49	3.40	3.19	2.95	1.13
<b>Balance sheet (SEKm)</b>	<b>2019</b>	<b>chg %</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total assets	2,536	19%	2,127	1,756	1,568	1,345	1,345	1,238	1,220
Net investments in property, plant and equipment	45	25%	36	20	10	27	15	24	19
Capital employed	2,016	22%	1,653	1,370	1,317	1,071	1,083	1,021	975
Capital employed excluding goodwill	1,065	38%	774	637	701	472	469	431	393
Equity	1,210	9%	1,106	1,010	964	748	683	596	524
Net interest-bearing debt	610	38%	442	204	25	141	259	361	404
<b>Cash flows (SEKm)</b>	<b>2019</b>	<b>chg %</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
- from operating activities	312	69%	185	126	128	153	158	85	60
- from investing activities	-142	-54%	-311	-159	-19	-29	-20	-16	-73
- from financing activities	-80	n/a	73	-140	31	-75	-61	-51	16
Total cash flow for the period	90	n/a	-53	-173	140	49	78	18	2
Operating cash flow	306	70%	180	150	194	158	146	113	73
<b>Ratios</b>	<b>2019</b>	<b>chg</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
EBITDA margin, %	11.9%	1.7pp	10.2%	10.7%	12.7%	9.6%	8.5%	8.5%	5.8%
EBIT margin, %	8.3%	0.4pp	7.9%	8.9%	11.4%	8.3%	7.2%	7.3%	4.6%
Operating cash conversion, %	83%	18.0pp	65%	64%	84%	96%	102%	80%	75%
Net debt/EBITDA, multiple	1.6x	0.0x	1.6x	0.9x	0.1x	0.9x	1.8x	2.6x	4.2x
Net debt/equity ratio, multiple	0.5x	0.1x	0.4x	0.2x	0.0x	0.2x	0.4x	0.6x	0.8x
Solvency: equity/assets ratio, %	48%	-4pp	52%	57%	61%	56%	51%	48%	43%
Return on shareholders' equity, %	17.3%	2.7pp	14.5%	13.9%	18.2%	11.4%	12.1%	12.7%	5.6%
Return on capital employed, %	14.2%	0.2pp	14.0%	14.4%	17.3%	13.2%	11.5%	12.2%	8.0%
Return on capital employed excluding goodwill, %	28.3%	-1.8pp	30.1%	29.0%	35.2%	30.3%	27.0%	29.7%	20.0%
Number of employees (FTE)	1,116	8%	1,033	830	630	634	644	635	634
Average number of shares before dilution, millions	23.9	-1%	24.1	24.1	24.1	24.1	24.1	24.1	24.1
Average number of shares after dilution, millions	24.1	0%	24.1	24.1	24.1	24.1	24.1	24.1	24.1

\*2019 has been affected by implementation of IFRS 16, and comparative figures for previous years has not been restated.

# FOUR REASONS TO INVEST IN NORDIC WATERPROOFING

## STRONG MARKET POSITION

Nordic Waterproofing has a strong market position with established brands in the Nordic region.



Read more on page 10

## SUSTAINABLE AND DURABLE SOLUTIONS

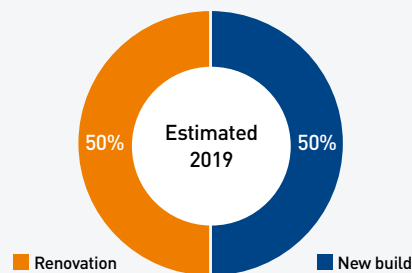
Nordic Waterproofing contributes to a sustainable society by preserving buildings and infrastructure with long lasting products.



Read more on the pages 22-27

## LOW CYCLICAL SENSITIVITY

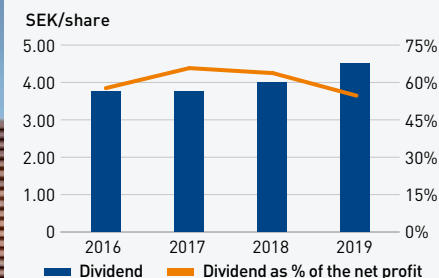
Nordic Waterproofing's offers are in demand throughout a business cycle, both in construction as in renovations.



Read more on page 50

## STRONG POSITIVE CASH FLOW WITH HIGH YIELD

Nordic Waterproofing's dividend policy stipulates an annual dividend of more than 50 percent of net income.



Read more on page 50

# STRATEGY AND OPERATIONS

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

Organic growth will come from the development of our recent acquisitions, building on our new platforms in prefabricated elements and green roofs and surfaces. Regarding acquisitions, we maintain our focused and selective approach on small to medium sized companies presenting good synergistic potential with our existing businesses, in order to:

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

# DRIVING FORCES IN THE WATERPROOFING AND CONSTRUCTION MARKET

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

## 1

### DEMOGRAPHICS AND ECONOMICS

#### **GDP trend and political factors**

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

#### **Maintenance and renovation**

Renovation of waterproofing is less dependent on the business cycle and is normally not affected by a recession. Neglected maintenance, especially of waterproofing, leads to

costly consequences which constitute a key driver to ensuring frequent monitoring and maintenance. In the long term, increased building stocks lead to a growing market.

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

#### **Urbanisation**

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

## 2

### SUSTAINABILITY AND RESPONSIBILITY

#### **Environment**

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

Green roofs, living walls and parklands – also known as ecosystems in urban environments – are all vital parts in cities that are welcoming to all people and animals. Well-functioning ecosystems provide increased ratios of health and wellness, while biodiversity and green infrastructure grant the general public access to new and larger parts of the urban environment.

#### **Competition for skills**

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

#### **Taking responsibility**

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



### 3 TECHNICAL DEVELOPMENT

#### Digitalization

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

#### Prefabrication

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

In establishing efficient, profitable construction processes, there is a growing need for prefabrication and information sharing for all parties involved in a project. Prefabrication (prefab) is an important component in a more efficient supply chain and in the effort to reduce construction costs and shorten lead times. Underlying this development are factors such as increasing demands for quality at all stages, and on system and concept solutions where

technically more advanced manufacturing cannot be performed at construction sites, as well as increased standardization. Other benefits of modular construction include:

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

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



The BREEAM Nor certified building Portalen in Oslo has facade prefabricated elements supplied by RVT, Norway.



Nordic Waterproofing's operations are primarily in the waterproofing market, a submarket in the construction market. The Group offers mainly waterproofing products for roofs.

## THE MARKET:

# INCREASING DEMAND FOR SYSTEMS AND RELATED SERVICES

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

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

In the Group's main markets – the Nordic countries of Sweden, Denmark, Finland and Norway – Nordic Waterproofing provides waterproofing products and solutions.

The primary product offered is roofing felt, and the principal material is bitumen. Acquisitions have complemented the Group's offering with prefabricated elements for floors, walls and roofs. Following the acquisition of Veg Tech, the Group is also offering a broad assortment of green roofs and vegetation technology. In Finland the Group also provides proprietary

installation services for roofing and floor coating. The Group offers different types of rubber membranes made of the synthetic rubber material EPDM through its sales organization in Belgium, the Netherlands, Poland, Sweden and the United Kingdom. The offering was widened through the acquisition of Distri Pond in 2019.

### FOCUS ON SYSTEM SOLUTIONS FOR OPTIMIZED BUILDING

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

(requiring manufacturers to have reliable and efficient logistic solutions).

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

The market for prefabricated elements is in an early phase of growth. Demand for larger elements such as walls, roofs and facades is increasing due to stricter quality requirements, increased opportunities for automation and coordination of various logistics streams. Ultimately, prefabrication can also offer improved finances in individual projects, involving both residential and commercial properties.

In a construction market with declining volumes, construction companies can choose to increase the degree of site-based core units and walls, which may affect demand for simpler prefab products.

## TWO BUSINESS SEGMENTS

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

### Products & Solutions

The total value of the Nordic products and solutions market is estimated at approximately SEK 5 billion. The products and solutions market segment can be further broken down into:

- Roofing products, including products for flat and pitched roofs made primarily of bitumen roofing felt, PVC, EPDM (rubber membranes), green roofs 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.
- Green infrastructure, including ponds and reservoirs.
- Prefabricated elements include prefabricated construction components such as facade elements, floor elements, walls and sandwich wall elements.

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

### Installation Services

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

### CONSTRUCTION MARKET

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

#### Roofing market

The Nordic roofing market is developing in line with the general construction market, with lower variation between different stages of the economic cycle due to a greater element of renovation and maintenance assignments involving installation of waterproofing membranes. A market with a greater element of industrial and commercial buildings with flat roofs generates greater demand for Nordic Waterproofing's products and services than a market in which single-family homes and smaller buildings dominate. Demand is generally stable in the Group's markets.

#### Stable renovation market

Renovation is less affected by the general economic cycle. Renovation and new-build are estimated to account for 50 percent respectively of the Nordic construction market. 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.



Construction with prefab elements is an increasing trend. In addition, construction with wooden frame is also increasing for larger buildings such as offices, plants and warehouses, retail, multi-storey residential buildings and community properties.



The renovation market is driven by:

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

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

**INCREASING CONSTRUCTION COSTS ON SITE ARE DRIVING THE PREFAB MARKET**

The costs of construction on site are increasing, which is why time is a critical factor where climate and season also pose a risk of delays.

Construction with prefab elements is therefore an increasing trend. In addition, construction with wooden frame is also increasing for larger buildings such as offices, plants and warehouses, retail, multi-storey residential buildings and community properties. The increase in wood-based production is driven by an increasing demand for more sustainable materials and cost savings.

Experience shows that the total cost of a building with wooden-frame prefabricated elements is 7 – 10 percent lower compared to traditional construction in concrete.

**Prefab elements also demanded in renovations**

The prefab element market is characterized by depending to a larger extent on new build. However, in a recession, the renovations are increasing. The distribution between the renovation and new build is 10/90 percent of the sales value, respectively.

The renovation market is also driven by the need to increase energy performance in existing buildings. Not least, the large housing stock created during the 1960s and 1970s has a great need for better insulated roofs and facades.

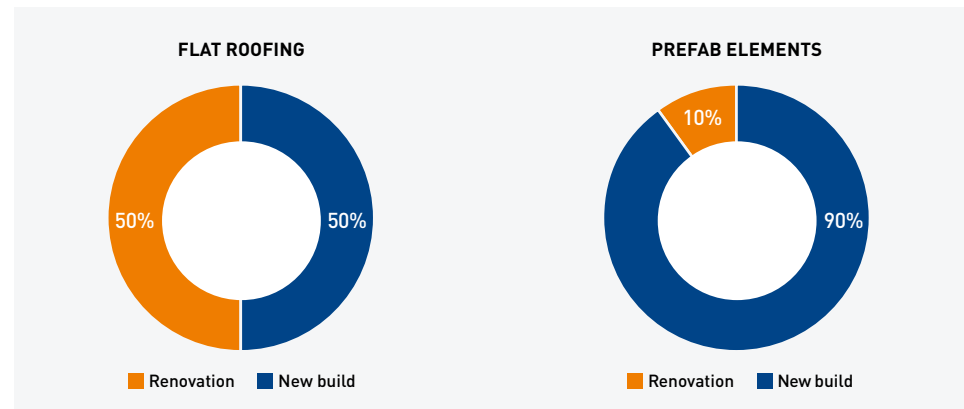
**Building regulations and construction structures**

The construction industry is characterized by national building regulations in building design, which creates different product solutions and terms of reference.

**VALUE-ADDED SERVICES**

To an increasing extent, customers, both professionals and private individuals, demand customized solutions combining broad and

deep product ranges with expertise on materials, service, advice/training and specialist skills. Nordic Waterproofing has for some time invested in training of roofing contractors and other professionals, as well as representatives of building merchants. In addition to training and inspiration initiatives, the Group is expanding its value-generating services to be able to advise building merchants on matters such as permits, supervision and inventory optimisation.



Private individuals are increasingly aware of the benefits of annual roof checks, roof clearance, gutter clearance and receiving advice on investments and supplier contacts.

### Logistics

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

### Digital channels

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

Building Information Models, or BIM, is a digital channel of considerable importance in streamlining design processes. Although this technology is primarily used in the prefab segment, Nordic Waterproofing has, during the year, invested in development and marketing to

increase knowledge of waterproofing membranes and their various properties, so that designers, architects and others who select materials can choose the optimal material and solution for the specific project.

Nordic Waterproofing is also meeting the industry's increased expectations in terms of a digital presence. Here, digital sales channels are considered an important complement to the construction industry or roofing contractors.

Being able to offer different customer categories multiple contact paths, including digital sales channels, e-commerce, apps, information through proprietary and third-party websites, trade fairs, physical stores and personal meetings, customers are offered

greater opportunities to choose the channel best suited to their needs.

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

## ENERGY PERFORMANCE OF BUILDINGS DIRECTIVE

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

The Swedish regulations came into effect in April 2017 and impose demands on a building's energy performance, defined as the amount of purchased energy used for heating, air conditioning, piped hot water and property maintenance operations. According to the Planning

and Building Regulations, a building shall have "a very high level of energy performance", "particularly good properties in its use of electricity resources" and "a climate screen that allows only a small amount of heat to pass through".

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

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

Taasinge Elementer performs energy upgrades of buildings constructed in the 1960s

and 1970s by mounting facade elements with superior insulation functions, reducing energy consumption and increasing the level of comfort in the indoor climate.

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

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

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



## THE GREEN LITTLE VILLAGE

Lensmarken south of Odense in Denmark, also called "the green little village", consists of a total of 40 wooden houses. The housing is DGNB certified in the gold category, which means that there are particularly high demands on the economic, environmental and social sustainability.

All materials in the buildings are carefully selected to minimize the impact on the environment. Externally, building materials have been used that make the houses blend into the landscape in a natural way. The walls are wooden elements supplied by Taasinge and the roofs have been plant covered.

Green infrastructure has been incorporated into the environment with open water collectors that promote wildlife and thus contribute to diversity.

## PRELASTI AS A SOLUTION FOR A SUSTAINABLE AND RELIABLE ROOF

The 169 apartments in the Emmerhout residential area in Emmen in the Netherlands has been turned into Zero-Emission buildings by placing completely new prefab facade elements (with additional insulation) as a covering for the existing facades and applying a new roof structure to the existing roofs. The houses were subsequently made gasless, by using heat pumps and solar panels on the roofs. The roofing material is required to have a life span of at least 40 years, allowing replacement of the solar panels. The choice of roofing material fell on Prelasti EPDM membranes from SealEco.



# OUR MISSION, BUSINESS CONCEPT AND VALUES

## MISSION

---

To develop and supply easy-to-use, reliable and sustainable solutions for the protection of buildings and infrastructure, in order to enhance the quality of life and preserve the environment.

## BUSINESS CONCEPT

---

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

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

## OUR VALUES

---

### Enthusiasm

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

### Reliability

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

### Efficiency

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



# TARGETS

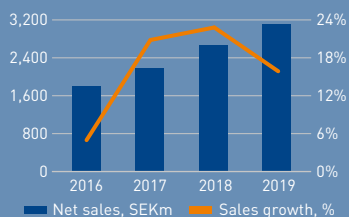
The Group has well-defined financial and strategic targets that determine the bottom line. They create value for several stakeholders over time: owners, customers, employees and the community.

## FINANCIAL TARGETS

The Board of Directors of Nordic Waterproofing updated the Group's profitability and capital structure targets with effect from May 2, 2019. These targets are well established and integrated into the decentralized organization's business units.

### >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.



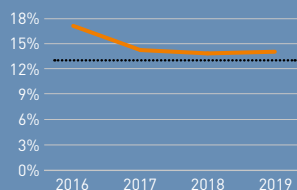
+16%

### OUTCOME 2019

Consolidated net sales increased by 16 percent to SEK 3,122 m (2,680), of which organic growth amounted to 7 percent.

### >13% PROFITABILITY

Generate a return on capital employed (ROCE) exceeding 13 percent.



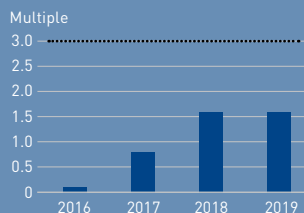
14.2%

### OUTCOME 2019

Return on capital employed for 2019 amounted to 14.2 [14.0] percent, while the EBIT margin was 8.3 percent [7.9].

### <3X CAPITAL STRUCTURE

Net debt/EBITDA multiple, Net debt in relation to EBITDA (R12M basis) shall not exceed a multiple of 3.



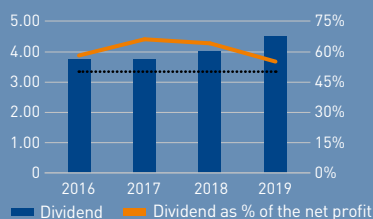
1.6x

### OUTCOME 2019

At the end of 2019, indebtedness, calculated as interest-bearing net debt/EBITDA over the past 12-month period, was a multiple of 1.6 (1.6) and net debt/equity was a multiple of 0.5 (0.4).

### >50% IN DIVIDEND

The dividend policy states an annual dividend exceeding 50 percent of the 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.



COMING DIVIDEND PROPOSAL  
4.50 SEK/SHARE,

55%

### OUTCOME 2019

The Board of Directors will propose that the Annual General Meeting resolve to pay out a cash dividend of SEK 4.50 (4.00) per share, totalling SEK 107 m. This corresponds to about 55 percent of net profit. Given the uncertainty as a result of the spread of Covid-19, the Board will further analyse the situation before evaluating the final dividend proposal.

Please find definitions on page 89.



# STRATEGY: INCREASED FOCUS ON SUSTAINABLE BUILDING SOLUTIONS

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

## STRATEGIC TARGETS

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

- Enhance our product and service offering for our existing customers.
- Apply geographic leverage to newly acquired product and service categories.
- Benefit from mega trends in the construction industry: sustainable building solutions, energy efficiency, renewable energy sources, and site efficiency through increased exposure to prefabrication.
- Forward integration to increase exposure to end customers. By widening and enhancing our products and services with new product categories, we foresee that the Group will increasingly become a one stop shop opportunity for customers seeking comprehensive solutions for building and infrastructure protection.
- We intend to maintain our acquisition focus on small to medium sized companies presenting good synergistic potential with our existing businesses.

## SOLID POSITION IN OUR LEGACY BUSINESS

### Strengths

We consider the following market characteristics to be favourable.

### Mature and consolidated industry

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

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

### Long-term reliability is of crucial importance

Customers generally seek proven and well-established products and materials from strong brands with a long tradition of quality and expertise, since long-term reliability is of crucial importance. The Group's well-reputed brands, combined with partnerships, training programmes, technical service and highly motivated employees have contributed to the creation of long-term relationships with customers.

## High-quality waterproofing is crucial

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

## Stable demand for bitumen products

We have noted a continued preference for bitumen as the most suitable waterproofing material. Accordingly, bitumen remains the primary choice of material in Nordic Waterproofing's markets.

## CONTINUED STRONG MARKET SHARE

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

### Products & Solutions

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

- Building products, including various types of membranes for buildings, such as moisture, wind and vapour underlay barriers made of bitumen and EPDM.
- Prefabricated components for floors, walls and roofs.
- Green infrastructure solutions.

### Installation Services

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

## STABLE RENOVATION MARKET OFFSETS POSSIBLE DECLINE

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

The renovation market is driven by:

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

**BUSINESS AND REVENUE MODEL**

Marketing and sales take place primarily at national level. The customer groups vary depending mainly on the size of the projects.

**Direct sales to contractors**

Since flat roofing waterproofing installation require special expertise, related materials are mainly sold to installation companies. This link to end-users accounts for approximately 70 percent of the Products & Solutions operating segment's sales. The installation market is fragmented and consists predominantly of small, local companies.

**Sales via builders' merchants**

The builders' merchants level of the distribution chain is relatively consolidated, consisting mainly of large building material chains with a regional or national presence and offering

waterproofing products as a small part of a wide product range.

Approximately 30 percent of the Products & Solutions operating segment's sales of roofing products in the Nordic region are made through builders' merchants.

**Construction company customers**

Construction companies are either large general contractors with a global, national or regional presence or smaller contractor companies (builders and carpenters). Construction companies that operate at both the regional and global level include Sweden's JM, NCC, Skanska and Peab; Denmark's MT Højgaard, HusCompagniet and Hoffman; and Norway's Veidekke. With regard to flat roofing waterproofing products, these companies secure direct agreements with installation companies, delivering a complete package of roofing

solutions, for example Nordic Waterproofing's Installation Services.

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

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

**Direct sales to end-users**

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

Airport and government-owned real estate companies, such as Akademiska Hus; as well as private real estate companies.

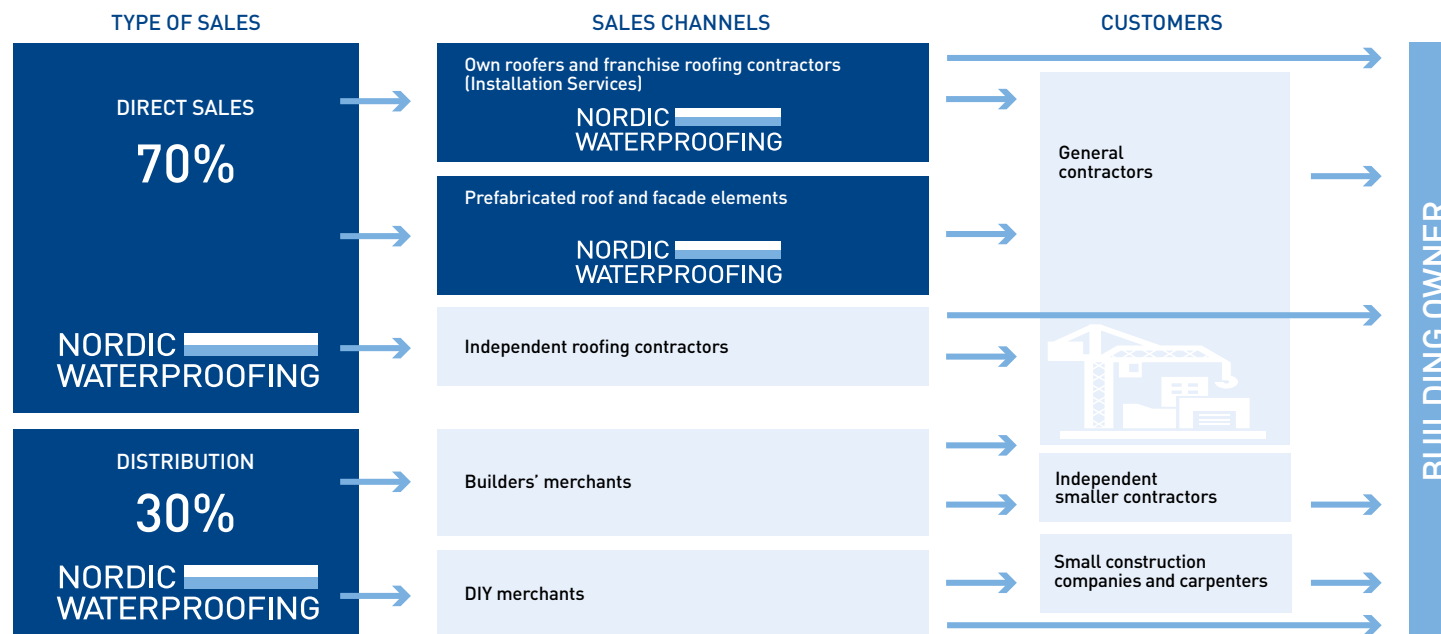
**Prefabricated elements**

Prefab elements are currently sold and marketed mainly directly to medium and large construction companies in Denmark and Norway.

Marketing is largely aimed towards architects and building engineers through seminars and conferences. Nordic Waterproofings has the potential to expand the market to the other Nordic countries.

**Green infrastructure**

Green infrastructure, ie plant-based surfaces for roofs and facades as well as for green spaces in urban areas, has to a great extent the same sales channels as other waterproofing products. The client / specifier also consists of contracting authorities such as municipal administrations.



Nordic Waterproofing's brand Matakı was awarded Supplier of the Year 2019 by the Swedish builder merchant XL-BYGG, with the motivation "Matakı provide high-quality products and logistics. They have recurring high-quality training every year for both our staff and our contractor customers."

## ACQUISITION: DISTRI POND GROUP, A LEADING DISTRIBUTOR OF POND SYSTEMS IN BELGIUM

In February 2019, Nordic Waterproofing acquired Distri Pond Group in Belgium, with the two operating companies Distri Pond NV and Pond Technics & Training BVBA. The company is a leading distributor of pond systems in the Belgian market, with annual sales of approximately SEK 110 million. The acquisition fits well into SealEco's strategy of vertical integration and will increase Nordic Waterproofing's exposure to an attractive market segment within our core business.

Distri Pond was founded in 1992 and is located in Vorst-Laakdal, approximately 60 km east of Brussels and Antwerp in Belgium. The company is a leading distributor of pond systems with a one stop shop offer in the Belgian market, and offers EPDM waterproofing membranes, pumps, filtering, control systems, light and accessories, and maintenance & garden applications. Additionally, the company offers site preparation, installation of EPDM membranes, education, and technical support and maintenance.

With the acquisition of Distri Pond, Nordic Waterproofing's business unit SealEco strengthens its market presence and distribution of high-quality pond systems supported by installation service as well as education. SealEco currently has one production unit for EPDM membranes in Sweden and prefabrication units in Sweden, UK, the Netherlands and Belgium, supplying building envelope solutions and lining applications.

"Distri Pond has always aimed to provide its customers with the best pond solutions. Our dedication in doing so has made us a leading player in our sector in Belgium", says Kristien Meulemans, Managing Director of Distri Pond. "Becoming part of Nordic Waterproofing takes our growth strategy to the next level, with a strong platform allowing the business to continue to grow with the potential for geographic expansion to offer sustainable and tailor-made pond solutions. Customers express an increasing demand for more complex ponds, resulting in a need for more technical support. We aim to export our unique concept of technical products and on-site assistance to other countries and will now be able to leverage on the existing platforms of Nordic Waterproofing. The strongly complementary knowledge and experience of both organizations of Distri Pond and Nordic Waterproofing will further strengthen the business and our colleagues. As such, we are convinced we will excel even more in satisfying our customers", Kristien Meulemans continues.

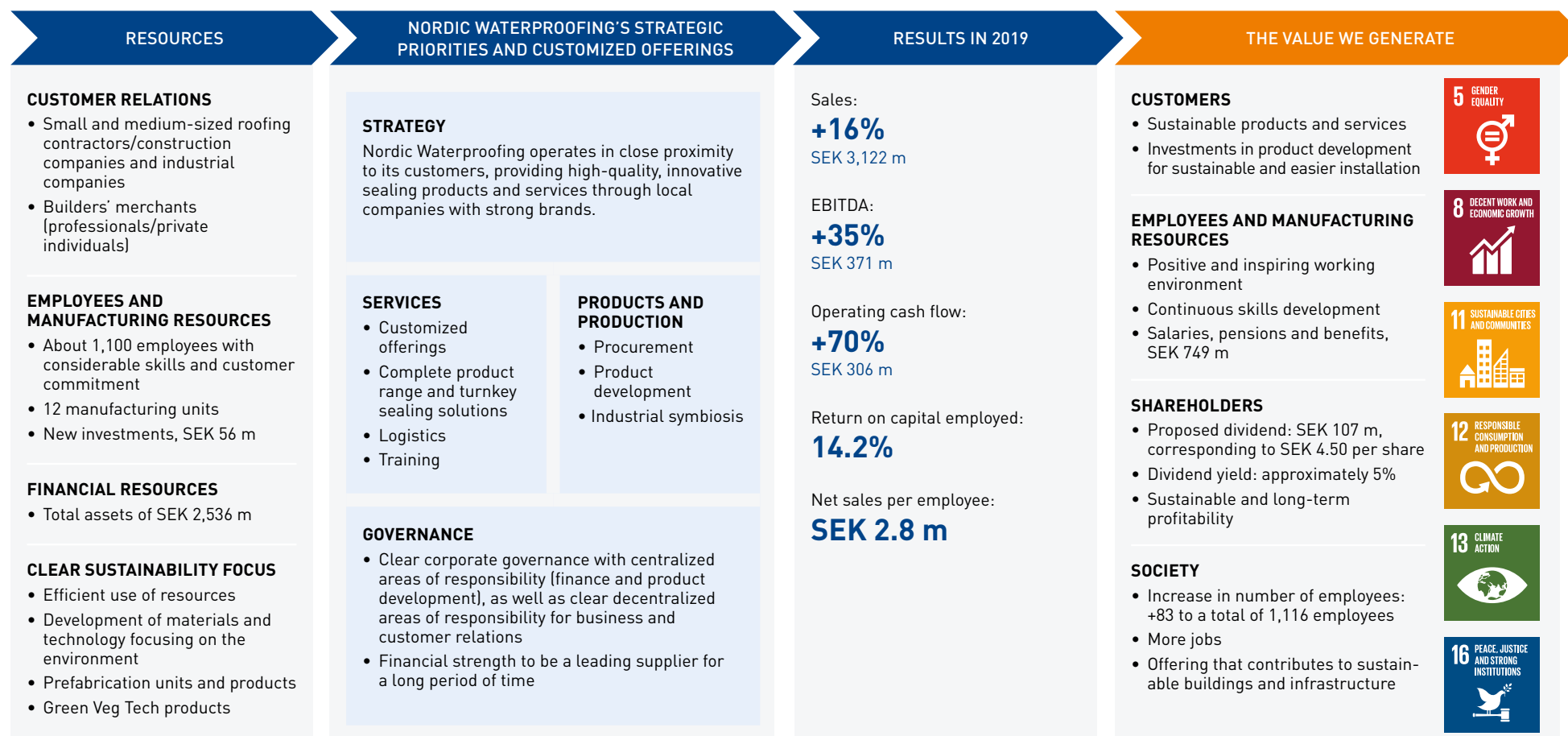


**DISTRI POND NV AND POND TECHNICS  
& TRAINING BVBA, BELGIUM**  
Managing Director: Kristien Meulemans

Since February 2019, the company has been consolidated within the Products & Solutions operating segment.  
Website: [www.distripond.com](http://www.distripond.com)

# CUSTOMER AND SUSTAINABILITY FOCUS DRIVE OUR BUSINESS MODEL

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





## A SWIMMING POND WITH A MINIMALIST EDGE

This swimming pond in the Brussels area won the first prize in the prestigious annual Swimming Ponds Contest organized by the professional association Belgian Swimming Pool Association in the category up to € 60,000: Gold medal. The pool's filtering is 100% organic involving a swamp keeping the energy consumption minimal. The waterproofing and all technical material were supplied by Distri Pond who also provided technical support.

## PRELASTI GREEN WITH RECYCLED EPDM COMPOUND, PREPARED FOR BEING RECYCLED AGAIN

SealEco has introduced Prelasti Green, a product that's a 42% recycled EPDM compound. The first roof was installed in the end of 2019. Optimal material use was made possible by prefabrication in 3D with SealEco's hot bonding splicing technique in the Belgian prefabrication plant, using state of the art laser techniques for optimal precision. The installation was made with the patented Thermobond® Induction welding technique, where the membrane is mechanically fixed without the use of adhesives, making it possible to dismantle and fully recycle the membrane without need to remove adhesives from the membrane.



## OPERATING SEGMENT:

**PRODUCTS & SOLUTIONS**

## – EXTEND THE LIFECYCLE OF BUILDINGS AND INFRASTRUCTURE

The Products & Solutions operating segment offers sealing and waterproofing products and solutions for buildings and infrastructure, prefabricated wooden roof and facade elements and green infrastructure.

The largest threat to the durability of a building is the impact of the external climate, especially rain and moisture, but also wind and high and low temperatures. Whenever a damage by water or moisture occurs, expensive repairs are often required. The maintenance of an effective and long-lasting waterproofing is thus required, a fact that includes both new construction and maintenance of existing buildings.

**WE MAKE WATERPROOFING EASY**

The Group offers a wide range of sealing and waterproofing products that are adapted to different types of roofs; flat and pitched, designed for the demanding climate in Northern Europe.

**Development of both products and safe handling and installation**

Nordic Waterproofing has a well-adapted assortment and has a constant development to meet customer demand for improvements in the working environment (handling of products and methods of installation), and environmental impacts in manufacturing, including reuse and reduction of waste. The Group also works continuously to strengthen relationships with those who make use of the Group's products.

**FLAT ROOFS****– PRIMARILY COMMERCIAL PROPERTIES**

Flat roofs are mainly applied on commercial properties such as offices, retail, industrial and warehouse where the large flat surfaces make great waterproofing demands. The Group's products have unique technical qualities and can easily be adapted to different environments, types of properties and surfaces. The products are mainly made of bitumen or EPDM (rubber membranes) with a durability of up to 50 years.

Roofing with waterproofing layers for flat roofs is demanding and this work is usually done by professional roofing contractors. The waterproofing products are installed either by Nordic Waterproofing's wholly-owned roofing contractors in Finland and by part-owned franchise companies in Denmark (within the Installation Services segment), as well as by external roofing contractors.

**Pitched roofs – mainly residential buildings**

Products installed on pitched roofs are more visible than products used for flat roofs. The design and appearance of the products are therefore important factors for the customer. These products are sold primarily to building suppliers and are usually installed by private individuals and independent smaller contractors or carpenters.



Bio-based green surfaces contribute to biodiversity by protecting roof membranes, providing better building insulation against cold and hot temperatures, by absorbing large parts of the city's noise, dust and air pollution, thus improving both the micro and macro climates.



**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 several suppliers and often constitute an important factor in the complete solution. Accessories are sold both through building suppliers and directly to contractors.

**Building products**

Building products, such as chemicals for roof installation and repairs, as well as protection against radiation from radon and sealing of roof lanterns, are highly technical and therefore often require customer support and training. Nordic Waterproofing produces building products in-house, but also sells building products purchased from subcontractors and sold mainly under the Group's own brands.

**Rubber membranes - in addition to buildings also for ponds and reservoirs**

Rubber membranes of EPDM or butyl rubber are primarily intended to be used for waterproofing roofs and facades, and as geomembranes in building foundations, ponds and reservoirs. The product range consists of waterproof and airtight systems providing long-term efficiency for up to 50 years.

The products are primarily adapted to the customer's needs and at the Group's units, the rubber membranes are prefabricated into large, easy to install sheets. The products are sold primarily to customers in Belgium, Germany, the Netherlands, Poland, Sweden and the UK.

**Green infrastructure**

The Group offers solutions for green infrastructure, ie plant-based surfaces for roofs and facades as well as for green spaces in urban areas, by Veg Tech in Sweden and Norway and by Phønix Tag and Hetag in Denmark.

Bio-based green surfaces contribute to biodiversity by protecting roof membranes, providing better building insulation against cold and hot temperatures, by absorbing large parts of the city's noise, dust and air pollution, thus improving both the micro and macro climates. Plant-covered roofs can absorb up to 50 – 80 percent of the rainwater falling on the roof, reducing or delaying the flow of rainwater into the drainage system and preventing sewers from becoming overloaded.

The wholly owned Swedish company Veg Tech also offers solutions for green infrastructure especially in urban areas, from parks to nature parks and open water.

**PREFABRICATED ELEMENTS WITH HIGH VALUE ADDED**

Nordic Waterproofing's subsidiaries Taasinge Elementer in Denmark and RVT in Norway add a high added value by manufacturing prefabricated building elements. The prefabricated elements are a sustainable solution being based on a wooden frame. All production is project-based where the elements are developed in close dialogue with builders and architects for the best design and solution. The elements comprise roofs, facades and interior walls as well as floors and are ready for installation with insulation, windows and doors, external and internal surface layer as well as being prepared for electrical wiring and ventilation.

The prefabricated elements are mainly produced for larger buildings such as offices, plants and warehouses, retail, multi-storey residential buildings, community properties, swimming and sports halls, etc.

Assembly takes place in an indoor environment in a controlled climate. The project-based production means that each order is unique and therefore the production is difficult to automate and is largely carried out by carpenters and installers. The production time from design to delivery is typically 8 – 12 weeks.



Manufacturing close to the markets and customers is an important part of the supply chain.

**A new concept is introduced in Denmark**

A new subsidiary, Nordic Build, was founded in Denmark with a new concept for roof and facade elements. The concept is based on elements based on mineral wool, steel and composite materials with high durability and insulation capacity. It started its operations in 2019.

**COMPETITORS**

In addition to Nordic Waterproofing, the following major private manufacturers of waterproofing products are to be found in the Nordic market: Icopal, Katepal, Protan and Isola. The small number of local manufacturers in the Nordic market has a relatively fragmented customer base. In the European market for EPDM products, the competitors to Nordic Waterproofing's SealEco brand include Firestone, Carlisle and Duraproof, of which Firestone and Carlisle are estimated to be the largest and second-largest providers, respectively, with SealEco being the third-largest provider.

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

**PRODUCTION CLOSE TO THE CUSTOMERS**

Manufacturing close to the markets and customers is an important part of the supply chain. Nordic Waterproofing manufactures waterproofing products at four production units for bitumen and EPDM based products in Denmark, Finland and Sweden, four prefabrication

units for EPDM products in Belgium, the Netherlands, the UK and Sweden and six units for prefab elements in Denmark, Norway and Latvia. The Group also has cultivation areas in Sweden and Norway.

The Group owns the recipes for its bitumen and EPDM products. Ongoing optimizations are also part of Nordic Waterproofing's intellectual property rights.

Production volumes are based on both forecasts and orders.

The Group's production is supplemented by products manufactured by subcontractors, such as plastic films, foundations and moisture barriers.

**PURCHASING - A CENTRALIZED FUNCTION**

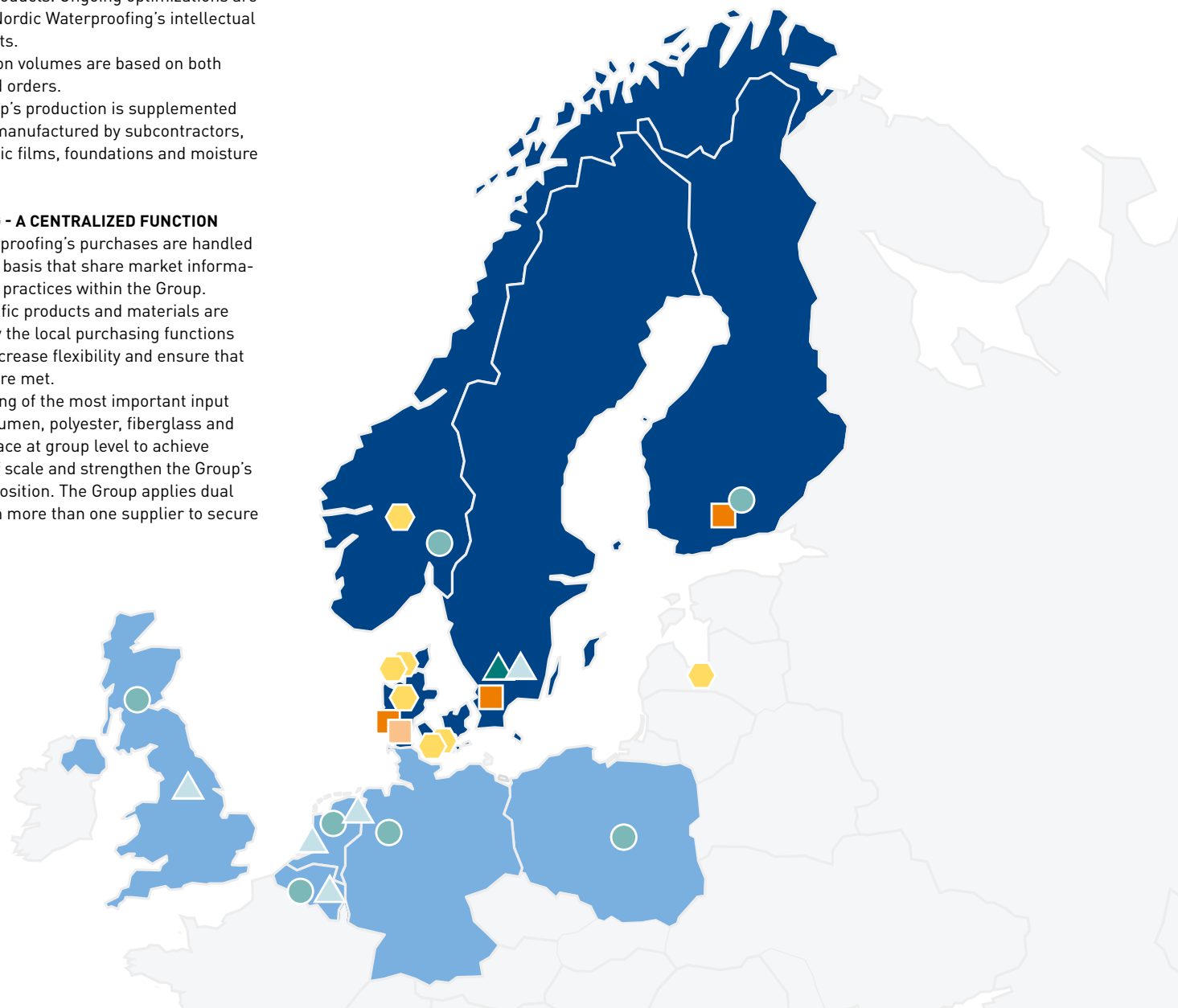
Nordic Waterproofing's purchases are handled on a national basis that share market information and best practices within the Group. Market-specific products and materials are purchased by the local purchasing functions in order to increase flexibility and ensure that local needs are met.

Purchasing of the most important input materials bitumen, polyester, fiberglass and SBS takes place at group level to achieve economies of scale and strengthen the Group's negotiating position. The Group applies dual sourcing with more than one supplier to secure the inflow.

**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



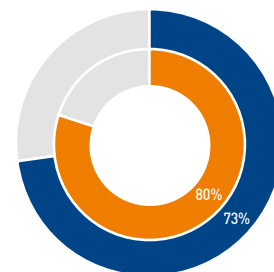




KEY FIGURES PRODUCTS & SOLUTIONS*, SEKm	2019	2018	Change in percent
Net sales	2,358	2,023	17%
EBITDA	332	259	28%
Operating profit (EBIT)	239	205	17%
Number of employees (FTE)	678	617	10%

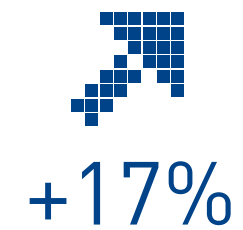
\*2019 has been affected by implementation of IFRS 16, and comparative figures for previous year have not been restated.

SHARE OF GROUP'S NET SALES AND OPERATING PROFIT



■ Net sales ■ Operating profit

SALES GROWTH IN 2019



## OPERATING SEGMENT:

**INSTALLATION SERVICES**

– BRINGS THE GROUP'S PRODUCTS CLOSER TO THE MARKET

The Installation Services operating segment offers installation, maintenance and assembly of the Group's own roofing products for commercial properties and housing. In addition to roofing and installation, services are offered to property owners who want to extend the life span of their roofs and ensure that the buildings' climate shells meet established energy values.

**WHOLLY OWNED SUBSIDIARIES IN FINLAND**

In Finland, installations are carried out through wholly owned subsidiaries under the brands AL-Katot and KerabitPro, with district offices throughout Finland. LA Kattohuolto is a roofing and service company that contributes to a range of services aimed at both private individuals and customers of other companies in the segment.

**MINORITY-OWNED FRANCHISE COMPANIES IN DENMARK**

In Denmark, installations are offered via franchise companies under the brands Phønix Tag and Hetag Tagdækning. The franchise companies are owner managed companies, in which Nordic Waterproofing has minority interests. The franchise companies are an important sales channel with access to Nordic Waterproofing's products and knowledge.

**NEW ESTABLISHMENT IN THE SWEDISH MARKET**

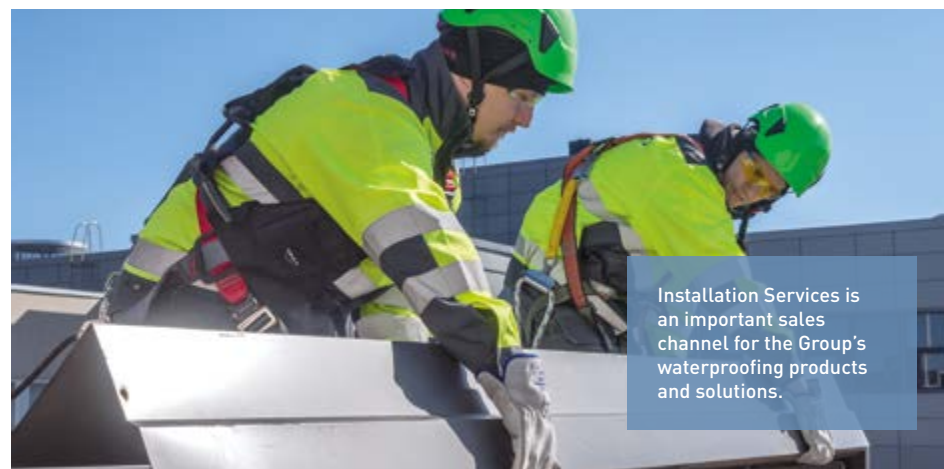
Nordic Waterproofing has during 2019 made a geographical extension of installation services into the Swedish market. A new Swedish subsidiary, Nordic Takvård, has been established with the same service offer as the Finnish roofing and service company LA Kattohuolto.

**CUSTOMIZED FLOOR COATING**

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

**AN IMPORTANT SALES CHANNEL CLOSE TO THE CUSTOMER'S NEEDS**

Installation Services is an important sales channel for the Group's waterproofing products and solutions. Added value is created through direct contact with the end-users, resulting in greater understanding of the end-customer's needs and at the same time educating the market of the importance of using high-quality products. The link to end users provides control of the entire value chain, which also protects the Group's market position and brands.

**Wholly-owned subsidiaries in Finland**

AL-KATOT OY

KerabitPro®

SPT Painting Oy  
FLOORING SYSTEMS**Minority-owned franchise companies in Denmark**Hetag®  
Tagdækning

PHØNIX TAG

**Wholly owned subsidiary in Sweden**N°  
NORDIC  
TAKVÅRD

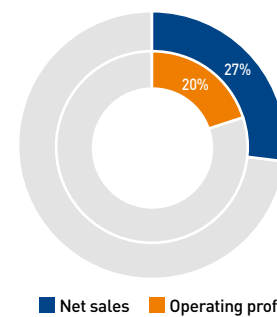


Added value is created through direct contact with the end-users, resulting in greater understanding of the end-customer's needs and at the same time educating the market of the importance of using high-quality products.

KEY FIGURES INSTALLATION SERVICES*, SEKm	2019	2018	Change in percent
Net sales	866	752	15%
EBITDA	74	47	57%
Operating profit (EBIT)	60	41	46%
Number of employees (FTE)	426	404	5%

\*2019 has been affected by implementation of IFRS 16, and comparative figures for previous year have not been restated.

#### SHARE OF GROUP'S NET SALES AND OPERATING PROFIT



#### SALES GROWTH IN 2019

**+15%**



## FILMHUSENE – A WHOLE BASED ON DETAILS

The townhouse area Filmhusene in Værløse in Denmark is a Swan-labeled newly built residential area where sustainability has been a central theme. The walls are therefore wooden elements from Taasinge. On these, the architect has made a tile solution with removable thin surface tile.

## QUALITY OF LIFE AND URBAN GREENERY

The foyer in Malmo is an office building located in the old quarter Södra Nyhamnen, right next to Malmo central train station. The house will be certified according to the new WELL certification, based on features that support and advance human health and wellness. Veg Tech participated in the fall of 2019 facilitating a green break on the roof by creating a roof garden of 779m<sup>2</sup> with a secure structure and large plantings containing 26 kinds of plants. A 468m<sup>2</sup> sedum roof was also installed by Veg Tech.





Plant-covered roofs can absorb up to 50 – 80 percent of the rainwater falling on the roof, reducing or delaying the flow of rainwater into the drainage system and preventing sewers from becoming overloaded.

## ENVIRONMENT, SOCIAL AND GOVERNANCE

For Nordic Waterproofing, the link between successful business and responsible enterprise is self-evident. In addition to the Group's products simply and efficiently helping to protect buildings and infrastructure, its sustainability efforts generate new business opportunities, reduce costs and risks and enable the

Group to meet the demands and expectations of various stakeholders. Nordic Waterproofing intends to integrate sustainability into all aspects of its operations. This includes products, services and solutions, the Group's manufacturing facilities, the supply chain and skills development.

Nordic Waterproofing supports and contributes to many of the UN's sustainable development goals. The Group has chosen to prioritize six of these in particular, in areas in which its operations have a major impact (see page 30).



# SUSTAINABLE ENTERPRISE

## THE GLOBAL SUSTAINABLE DEVELOPMENT GOALS

The UN's Global 17 Sustainable Development Goals in Agenda 2030 make a clear and useful framework for meeting the global challenges and have had a major impact on the society. At the same time, the goals are an impetus to innovations and business opportunities in the area of sustainability. Private and public organizations have an important role to play and the business community is expected to contribute with responsible business, transparent reporting of their own goals and results, and the development of products and services that contribute to a sustainable development.

The Global Sustainable Development Goals also help the Group to identify key areas of sustainable development. The following goals have clear bearing on the Group's operations: 5, 8, 11, 12, 13 and 16. Of these, Goal no 11 has a direct link to Nordic Waterproofing's offer: Sustainable cities and communities - Making cities and settlements inclusive, safe, resilient and durable.

## SIGNED THE UN GLOBAL COMPACT

The Group has a Code of Conduct based on the 10 principles of the UN Global Compact that the subsidiaries are expected to follow in their sustainability work.



EPDM rubber works also as a flexible cap in biogas tanks.

# MANUFACTURING AND ENVIRONMENT

## WATERPROOFING FOR THE CONSERVATION OF BUILDINGS HAS FEW FOSSIL-FREE OPTIONS

With regard to sealing materials for flat roofs, 85 percent have bitumen-based waterproofing in the Nordic region. Nordic Waterproofing also manufactures EPDM rubber membranes and offers PVC and TPO plastics. Together, these four materials account for 95 percent of all building waterproofing. Currently, there are no materials at the same cost level based on completely fossil-free alternatives.

### Kerabit Nature one of the few

Nordic Waterproofing's Finnish brand Kerabit has on trial one of the few sustainable products from a raw material perspective - Kerabit Nature. Its bitumen has been replaced to some extent by bitumen extracted from Crude Tall-Oil, CTO. The positive GWP uptake from the tall-oil product reduces and in Kerabit Natur case neutralises the GWP effect from bitumen (bitumen has already a low GWP of 0,2 kgCO<sub>2</sub> ekv./kg).

The overall properties of the waterproofing product is remained with a reduced impact on the climate.

The Kerabit Natur product exists as both top- and bottom layers.

## INPUTS

The most important inputs in Nordic Waterproofing's production are bitumen, polymers (rubber compounds and plastics), environmentally certified wood and plants.

### Bitumen – a residual product ...

Bitumen is a residual product that follows in the industrial refining of crude oil when producing different fuels. Bitumen production requires thus a lower energy consumption in the production itself, however, heat energy is required in the processing of waterproofing products.

### ... with a long life cycle ...

Today's bitumen-based waterproofing, blended with elastomers and polymer for increased flexibility, has a life cycle of up to 50 years, where design and installation also affects. When renovating the waterproofing, the old layer normally is kept and a new layer is added.

### ... and which doesn't harm man and nature

As bitumen is a hydrocarbon not intended for combustion but for use in structural materials, no greenhouse gases are emitted. The remaining constituents of bitumen-based water-

proofing (fillers, polymers, slates, sand, etc.) are either inert (not inclined to form chemical compounds) or have low propensity for chemical reaction. This means that they pose minimal danger to man or nature throughout their life cycle, provided that it isn't burnt. Bitumen is insoluble in water, non-biodegradable and therefore the ideal material for collecting and holding water (collection ponds, irrigation water, polluted water etc.). In order to reduce use of polyester in the liners, a large part consists of recycled polyester from PET bottles.

### Sustainable materials are a growing part of Nordic Waterproofing's business

Both green infrastructure and wood-based building elements have a positive environmental footprint due to their CO<sub>2</sub>-binding properties.

Wood as a construction material is a natural raw material with a considerably lower emission level compared to other building materials.

Green infrastructure contributes to biodiversity while protecting roof membranes, better insulates the building against both cold and heat and absorbs large parts of the city's noise, dust and air pollution, and improves both the micro and macro climate. Roofs with

greenery can absorb up to 50–80 percent of the rain, which reduces or delays the drainage of rainwater in the drainage systems. In addition, no energy-intensive and fossil-fueled production methods are required to grow plants for green infrastructure.

## PRODUCTION

The operations affect the external environment primarily through noise and direct and indirect emissions. The Group's production requires resources such as raw materials, water, energy and chemicals.

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

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

## PRODUCTS ARE ENVIRONMENTALLY CLASSIFIED

Nordic Waterproofing's products are classified in various sustainability assessments of construction products made on a national level. In Sweden e.g., both Matakis and Trebolit's products are listed in several environmental assessments – the Swan, Sweden Green Building Council's Eco-building label, Building Products Assessment, Sunda Hus and Green BASTA-label (based on EU legislation REACH). Similar ratings are made in the other markets of the Group, e.g. DGNB in Denmark, BBA in UK and Dubokeur in the Netherlands.



**SAFE AND EFFICIENT USE OF RESOURCES**

A significant part of the Group’s energy consumption, as well as its impact on the climate, is associated with fossil fuel combustion, as well as purchased electricity and district heating (indirect energy and direct energy).

Production units and offices in all business units submit reports, with the exception of Installation Services, which consists primarily of roofing services. Energy consumed by company vehicles and forklifts, or by suppliers, is not included in these figures. Energy consumption in 2019 increased by 4.3 percent compared with the preceding year. Net sales for the same period increased by 16 percent, which is one of the reasons for the increased energy consumption.

The calculation of the Group’s carbon dioxide emissions (CO<sub>2</sub>) in scope 1 and 2 is based on each unit’s total average energy mix. The Group’s combined carbon dioxide emissions amounted to 6,237 tonnes (5,644 ),

an increase of 10.5 percent, significantly below the 16 percent sales increase.

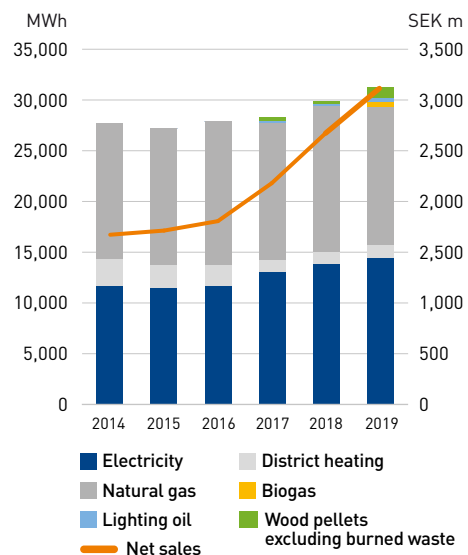
**NATIONAL INITIATIVES**

Since each country’s energy mix differs, national initiatives are taken introducing more renewable types of energy. Sweden e.g. has since 2019 signed an agreement for the purchase of green electricity (renewable energy sources) and a switch from natural gas to biogas in the production of bitumen-based products was made in the end of 2019.

**TRANSPORTATION**

Most of the waterproofing products have a high weight in relation to their value. The general solution is therefore to reduce the distance between the production plant and the destination by having national production facilities. Most of the transports are carried out by a third party purchased by Nordic Waterproofing.

**ENERGY CONSUMPTION PER ENERGY SOURCE**



CLIMATE	2019 tons CO <sub>2</sub> e	2018 tons CO <sub>2</sub> e
<b>Scope 1 emissions total</b>	<b>3,587</b>	<b>3,383</b>
whereof Natural gas	2,751	2,898
whereof Lighting oil	81	61
whereof Fuels	755	423
<b>Scope 2 emissions total</b>	<b>2,650</b>	<b>2,261</b>
whereof Electricity	2,617	2,242
whereof District heating	33	18
<b>CO<sub>2</sub> Total</b>	<b>6,237</b>	<b>5,644</b>



Nordic Waterproofing aims to maintain a working environment characterized by responsibility and empowerment, ethics and morality, openness and teamwork.



# SOCIAL ENTERPRISE

The Group has a decentralized organizational structure with local management responsible for employee recruitment and dialogue.

The Group had an average of 1,116 (1,033) full-time employees in 2019. During the summer season, the workforce in the operating segment Installation Services increases by more than 100 people. Human resources issues are decentralized and differ regionally even though they show some common trends. Nordic Waterproofing is often one of the larger employers in smaller communities.

## COMPETENCE PROVISION IS MADE LOCALLY

An important part of the strategy for a decentralized group lies in attracting the right expertise locally. Nordic Waterproofing is often in smaller communities a major employer. Locally recruited staff results in motivated employees and a lower staff turnover. The Group has broadened its recruitment activities, complementing traditional recruitment days by offering apprenticeships and seeking new fora in which the companies believe appropriate skills can be found.

Roofing contractors have been experiencing continued personnel shortages and difficulties recruiting new skilled labourers. In order to increase access to potential staff, Nordic Waterproofing supports educational pro-

grammes in roof installation and offers trainee positions for future professionals, increasing its attractiveness in the market.

## SKILLS DEVELOPMENT AND MOTIVATION

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

## OCCUPATIONAL HEALTH AND SAFETY

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



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

Each individual site shall report to the Group level, all occupational injuries and illnesses resulting in at least eight hours of absence caused by accidents, defined as Lost Work Cases (LWC).

During 2019, focused efforts continued to be in progress to reduce accidents within the Group. Sadly, the total number of accidents increased by 48 percent to 65 (44). This is mainly due to a high number at Taasinge (from 0 in 2018 to 11 in 2019). Increases also occurred at SealEco Sweden (from 1 in 2018 to 4 in 2019), SealEco Belgium (from 1 in 2018 to 3 in 2019) and Products & Solutions in Denmark (from 1 in 2018 to 4 in 2019). Finland accounts for the largest number due to the installation operations that still are the Group's

riskiest area. They increased to 36 (32) in installation and to 3 (2) in Production & Solutions.

Efforts to prevent accidents are continuing in 2020. An important part of this will involve integrating newly acquired companies into our systematic efforts, but also, continue to raise awareness and knowledge among all employees who are contributing to our operations.

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

**DIVERSITY AND EQUAL TREATMENT**

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

The companies within the Group work continuously to attract, develop and retain talented young people regardless of gender or other characteristics. Independent of gender or other aspects of diversity, each individual is offered equal opportunities in terms of career paths.

The operations as a whole also work towards a more balanced mix in terms of ethnicity and gender. To reach the goal to increase the awareness of its operations and being a good employer, Group companies leveraging several online platforms and channels to build relationships with new stakeholders.

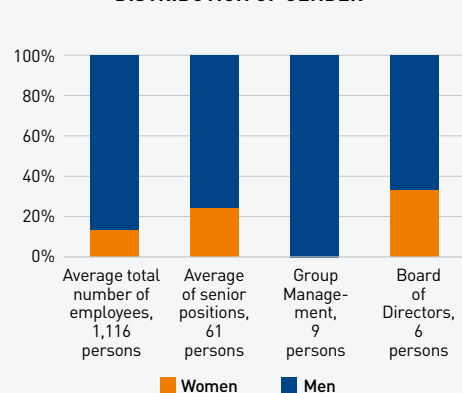
Today, local management teams comprise a total of 61 individuals (68), of which 23 percent (23) are women. Nordic Waterproofing Holding A/S's Board of Directors consists of four men and two women. Accordingly, the proportion of women on the Board of Directors is 33 percent, meeting the target of the Group's Diversity policy.

**THE CODE OF CONDUCT IS THE BASIS FOR ALL ACTIVITIES**

Nordic Waterproofing aims to maintain a working environment characterized by responsibility and empowerment, ethics and morality, openness and teamwork. Combined with a focus on customers and their needs, these values enable the Group to meet its targets and strategic priorities. An important part of a safe working environment is to ensure that no one is exposed to discrimination or sexual harassment. Nordic Waterproofing's workplaces should be characterized by respect for diversity and different qualities, knowledge and skills, regardless of gender, religion, ethnic background, age, race or sexual orientation.

The Group's Code of Conduct, which includes the areas of environment, work environment and business ethics, is the basis for all activities within the Group and applies to all employees and the Group's Board of Directors without exception. The Code of Conduct and the training materials are available in all nine languages used within the Group.

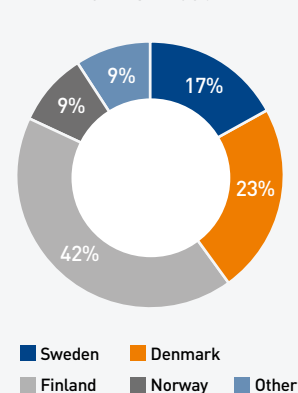
**DISTRIBUTION OF GENDER**



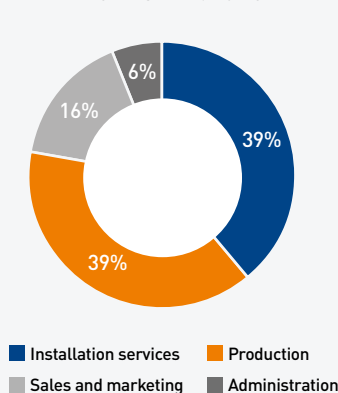
**ACCIDENTS**



**EMPLOYEES BY COUNTRY**



**EMPLOYEES BY FUNCTION**



# CORPORATE GOVERNANCE

Nordic Waterproofing Holding A/S is a Danish public limited liability company, with company registration number 33395361, and is governed by the provisions of the Danish Companies Act. The registered office of the company is situated in Vejen, Denmark, with operational headquarters in Helsingborg, Sweden. The company's shares are listed on Nasdaq Stockholm, Mid Cap. This report on Nordic Waterproofing's corporate governance for 2019 is issued in accordance with the Danish Annual Accounts Act and the Swedish Code of Corporate Governance.

## THE SHARE AND SHAREHOLDERS

Nordic Waterproofing Holding A/S, with the ticker NWG, has been listed on Nasdaq Stockholm, Mid Cap segment since 10 June 2016. The number of shares outstanding on 31 December 2019 was 24,083,935. Each share entitles the holder to one vote. The number of shareholders on the same date was about 3,800, which is in approximately 100 more, compared with the number at the end of 2018. The largest shareholder on 31 December 2019 was Svolder, holding 3,100,479 shares, representing 13.0 percent of the votes and 12.9 percent of the share capital in the company. The Company held 200,000 treasury shares at the end of 2019.

Further details on Nordic Waterproofing's share and the company's shareholders are available in the section "The share and ownership information", on pages 48–49 and on the company's website.

## CORPORATE GOVERNANCE FRAMEWORK

Nordic Waterproofing Holding A/S aims to maintain an appropriate corporate governance framework to ensure active, reliable and profitable business management. The corporate governance is based upon applicable Danish legislation and other external rules and instructions, including the Danish Company Act,

Nasdaq Stockholm's Rulebook, the Swedish Securities Council on good practices in the stock market, the Swedish Code of Corporate Governance (the Code), and internal guidelines including Articles of Association, instructions, policies and guidelines.

## APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

The application of the Code is in all important aspects consistent with the Danish recommendations on corporate governance. The Code applies to all Swedish companies with shares listed on a regulated market in Sweden and must be applied on the date of the listing of the company's shares on Nasdaq Stockholm. In 2019, Nordic Waterproofing deviated from Article 2.1 of the Code in that Danish law requires the Board of Directors to nominate auditors. In addition, the Code stipulates that the company's auditor shall review whether a Corporate Governance Report has been prepared and that certain disclosures in the Corporate Governance Report are consistent with the other parts of the Annual Report. Nordic Waterproofing's auditor follows generally accepted auditing practices in Denmark and no specific review of the Corporate Governance Report has therefore been performed.

## 1 GENERAL MEETINGS AND SHAREHOLDERS' INITIATIVES

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

The Annual General Meeting must be held in such time that the Annual Report, to be adopted by the Board of Directors and thereafter submitted to the General Meeting for approval, can be submitted to the Danish Business Authority within four months after the expiry of the financial year. Due to the covid 19 situation the AGM has been postponed and will be held at the latest eight weeks after that the Danish Ministry of Health has lifted the executive order on banning assemblies.

Shareholders who wish a matter to be addressed at the Annual General Meeting must submit a written request to the Board of Directors no later than six weeks prior to the date of the Annual General Meeting. In addition to the Annual General Meeting, Extraordinary General Meetings may be convened to deal with other specific matters. Extraordinary General Meetings must be held upon request from the Board of Directors or the auditor elected by the General Meeting. In addition, shareholders that individually or collectively hold five percent (or more) of the share capital can make a written request to the Board of Directors that an Extraordinary General Meeting 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, observing the form and substance required under the Danish Companies Act, be published on [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com).

Furthermore, written notice of the General Meeting must be e-mailed to all shareholders who so request.

At the same time, it shall also be announced in the 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 2019

The Annual General Meeting 2019 took place on 24 April in Helsingborg, Sweden with 50.2 percent of the votes represented. The Meeting approved the Annual Report for 2018 and a dividend of SEK 4.00 per share in accordance with the Board's proposal, approved fees for the Board of Directors and the auditor, discharged the Board and Executive Board from liability, and elected members to the Board of Directors (re-election of Ulf Gundemark as Chairman of the Board, re-election of Allan Jørgensen, Riitta Palomäki, Mats O. Paulsson and Kristina Willgård, and new election of Steffen Baungaard) and elected the auditor (new election of Deloitte, authorized firm of auditors) for the period extending up until the next Annual General Meeting.

Among other things, the Meeting also approved a mandate to increase the share capital (valid until Annual General Meeting 2020) and to acquire treasury shares corresponding to at most 10 percent of the number of shares outstanding in the company

at any given time and authorization to decide on the introduction of a long-term performance-based compensation programme (LTIP 2019).

## 2 NOMINATION COMMITTEE

Nordic Waterproofing Holding A/S's shareholders have resolved to establish a Nomination Committee and to adopt rules of procedure for the Nomination Committee.

According to the current rules of procedure for the Nomination Committee, the Nomination Committee shall consist of four members representing the largest shareholders in the company, as per the last banking day in August in the year before the Annual General Meeting, who wish to participate in the Nomination Committee. In addition to these four members, the Chairman of the Board must also be a member of the Nomination Committee. The instructions for the Nomination Committee follow the Code as regards the appointment of members.

The main duties of the Nomination Committee are to nominate candidates for the positions of Chairman of the Board and other members of the Board, and to submit proposals for fees and other remuneration to be paid to each of the members of the Board. Since 19 September 2019, the Nomination Committee ahead of Annual General Meeting 2020 consists of the following five persons:

- Ulf Hedlundh, appointed by Svolder AB and chairman of the Nomination Committee
- Joachim Spetz, appointed by Swedbank Robur Funds
- Viktor Henriksson, appointed by Carnegie Funds
- Magnus Strömer, appointed by Länsförsäkringar Funds
- Ulf Gundemark, Chairman of the Board of Nordic Waterproofing Holding A/S.

On the forming of the Nomination Committee, it represented 35.0 percent of the voting rights for all shares in Nordic Waterproofing Holding A/S.

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

#### Independence of the Nomination committee

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

#### Meetings of the Nomination Committee

The Nomination Committee ahead of Annual General Meeting 2020 has held four meetings. No fees have been paid for work on the Committee.

## 3 BOARD OF DIRECTORS

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

other foreign laws and regulations, as applicable. Members of the Board of Directors (other than employee representatives, if any) are appointed annually by the shareholders at the Annual General Meeting for the period until the next Annual General Meeting. The Articles of Association state that the Board of Directors (not including any employee representatives) must consist of a minimum of four members and a maximum of eight members. The Board of Directors currently consists of six ordinary members. The composition of the Board complies with the Code's requirements for independence in relation to both the company, its management and the company's major shareholders.

The members of the Board are presented in closer detail on pages 41–42.

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 Board 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 Board, and a Board member who is also a member of the Executive Board cannot be Chairman or Deputy Chairman of the Board of Directors.

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

- The bookkeeping and financial reporting procedures are satisfactory, having regard to the circumstances of the company.
- Adequate risk management and internal control procedures have been established.

- The Board of Directors receives requisite regular information about the company's financial position.
- The Executive Board performs its duties properly and as directed by the Board of Directors.
- 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 Board instructions, financial manual, treasury policy, IT policy, information security policy, diversity policy, code of conduct and whistleblower policy, information policy and insider and log book policy.

Adopted governance documents are implemented in the organization through the business unit managers. In addition, the Board of Directors regularly adopts and evaluates the Nordic Waterproofing's business plan, including goals, strategies, risks and budget, and reviews the company's website and ensures that such website has a special corporate governance section containing a copy of, among other things, the most recent corporate governance report. The Board of Directors also ensures that there are efficient systems for follow-up and control of the company's operations and that there is a satisfactory control of the company's compliance with laws and other regulations applicable to the company's operations.

#### Composition of the Board of Directors

The Annual General Meeting on 24 April 2019 resolved that the Board of Directors of Nordic Waterproofing Holding A/S shall have six members, elected by the Meeting, for the period until the end of the next Annual General Meeting.

Accordingly, the Board consists of Ulf Gundemark (Chairman), Steffen Baungaard, Allan Jørgensen, Riitta Palomäki, Mats O. Paulsson and Kristina Willgård. The average age of the Board members elected by the Annual General Meeting was 60 at the end of the year, and two of the six members were women. For information about the Board members' assignments outside the Group and holdings of shares in Nordic Waterproofing, see pages 41–42.

#### Independence of the Board of Directors

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

#### Evaluation of Board performance

The Board of Directors regularly evaluates its work through a systematic and structured process with the purpose of developing the Board of Directors' work methods and efficiency. In addition, the Board of Directors evaluates the company's IT strategy and its implementation and monitors compliance with the policies, instructions and guidelines established by the Board of Directors. The Chairman is responsible for carrying out the evaluation and presenting the results to the Nomination Committee. The purpose of the evaluation is to gather the Board members' views on the Board's performance, what measures can be taken to improve the efficiency of Board work, and whether the Board has a well-balanced mix of competencies. The evaluation provides the basis for the work of the Nomination Committee ahead of the Annual General Meeting. In 2019, the Chairman conducted a self-assessment of the Board work performance 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 2019 the Board held 12 scheduled meetings. The CEO and the CFO, who is also the Board secretary, take part in the Board's meetings. Other executives take part as needed as rapporteurs for special items of business.

#### BOARD COMMITTEES

#### 4 REMUNERATION COMMITTEE

Effective from 2017, the Board of Directors has established a Remuneration Committee. In 2019, the Remuneration Committee held three meetings at which minutes were kept. Three meetings are planned for 2020. The Remuneration Committee consists of two members: Ulf Gundemark (chairman) and Kristina Willgård. The Remuneration Committee's main function is to:

- Consider and make decisions as to the framework for the remuneration of the CEO of the company, including but not limited to salary, salary increases, pension rights and any compensation or termination 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 Board, including evaluating whether the remuneration level of the CEO is in accordance with, and not exceeding, comparable market practice levels at any given time, including any incentive programmes.
- Consider and make decisions on remuneration matters of material importance to the company, including incentive programmes and payments for the CEO of the company. The decisions concerning the remuneration

of the CEO, including any incentive programme shall be in accordance with, and not exceed, comparable market practice levels at any given time.

- Consider and make decisions on the targets (bonus levels and performance targets) for company-operated performance related incentive programmes for executive managers of the Company, as well as monitoring and evaluating the fulfilment of such targets.
- Monitor and evaluate programmes for variable remuneration, both ongoing and those that have ended during the year, for the Executive Board.
- Monitor and evaluate the application of the guidelines for remuneration that the Annual General Meeting is legally obliged to establish, as well as the current remuneration structures and levels in the company.
- Oversee the implementation of any pension, retirement, fatality, disability or life assurance scheme and any incentive schemes for executive managers of the company.
- Review its own terms of reference and effectiveness on the above, on an annual basis.

#### 5 AUDIT COMMITTEE

The Board of Directors has internally established an Audit Committee, which must comprise three members. The Audit Committee prepares proposals for the Board of Directors which either adopts resolutions on the matters or, if appropriate, decides upon proposals for resolutions to be adopted by the shareholders at General Meetings. In 2019, the Audit Committee held four meetings at which minutes were kept. Four meetings are planned for 2020.

The current Audit Committee is to assist with oversight of:

- The company's financial reporting.
- Systems of internal control and risk management related to finances.
- External audit of the Annual Report.
- Control of the auditor's independence, including oversight of non-audit services.

- Preparing a recommendation to the Board of Directors as regards the auditor to be nominated by the Board of Directors and elected by the Annual General Meeting.

## 6 EXECUTIVE BOARD

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

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

The Executive Board reports to the Board of Directors. Executive Board'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 Board 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 Board 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 Board may in specific cases be authorized by the Board of Directors to carry out management-related measures, which are outside the scope of the company's day-to-day business.

## 7 GROUP MANAGEMENT

The Executive Board is supported by a number of senior officers of the company. Together with the Executive Board, these senior officers of the subsidiaries, constitute the Group Management team. Martin Ellis has been the CEO of Nordic Waterproofing since October 2015. In addition to the CEO, Group Management consists of the CFO and the seven business unit managers (Denmark, Finland, Norway, Sweden, SealEco, Taasinge Elementer and Veg Tech). The CEO and other members of the Group Management team are presented in more detail on pages 43–44.

The Group Management team conducts management meetings at regular intervals and held eleven meetings in 2019. The meetings are focused on the Group's strategic and operative development and financial performance. In addition to these meetings, the senior executives work in close daily cooperation regarding various matters.

### REMUNERATION FOR BOARD MEMBERS AND GROUP MANAGEMENT

#### Board of Directors

Fees and other remuneration for members of the Board of Directors, including the Chairman of the Board, are determined by the company's shareholders at the Annual General Meeting based on proposals made by the Board of Directors and the Nomination Committee. The Annual General Meeting has resolved that fees be payable for the 2019 accounting year as follows: SEK 500,000 to the Chairman of the Board and SEK 275,000 to each of the other Board members. Remuneration for the Chairman of the Audit Committee amounts to SEK 100,000 and each member of the Audit Committee is paid SEK 50,000. Remuneration for the Chairman of the Remuneration Committee amounts to SEK 50,000 and each member of the Remuneration Committee is paid SEK 25,000. Board members are not entitled to any special benefits on resigning from the Board of Directors.

### Executive Board 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 Board, including the CEO. The salaries for the members of Executive Board consist of a fixed salary, variable salary and other benefits. The annual salary of the company's CEO amounts to EUR 0.525 m, together with a variable portion of at most 60 percent of annual salary.

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

The members of the Executive Board 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 of Directors and Group Management, see pages 41–44, and pages 61–63, Note 7.

The long-term performance-based remuneration programmes (LTIP 2017, LTIP 2018 and LTIP 2019 respectively) aim at strengthening Nordic Waterproofing's ability to retain the most talented individuals in key positions, and at stimulating participants to increase their efforts by linking their financial interests and

perspectives with those of shareholders. LTIP 2017, LTIP 2018 and LTIP 2019 will run over a period of three years, with the outcome being dependent on the fulfilment of various financial performance requirements. To obtain the maximum allocation of rights to performance shares in LTIP 2019, EBIT growth over the period 1 January 2019 to 31 December 2021 must correspond to an annual average of 10 percent. More information on LTIP 2017, LTIP 2018 and LTIP 2019, is provided on page 63.

## 8 INTERNAL CONTROL AND FINANCIAL REPORTING

The responsibilities of the Board of Directors and the Executive Board 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 Board with reasonable assurance that:

- reporting by the Executive Board 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 Board may participate in the transaction of business that involves any agreement between the company and that member, or legal proceedings against that member, or the transaction of business that involves any agreement between the company and a third party, or legal proceedings against a third party, if the member has a material interest in such business and that material interest could conflict with the interests of the company.

## 9 AUDITING

Pursuant to the Articles of Association, the Annual General Meeting must appoint a state-authorized public accountant to audit Nordic Waterproofing's accounts. The company's auditor is Deloitte Statsautoriseret Revisionspartnerselskab with Nikolaj Thomsen as the principal auditor. Nikolaj Thomsen is currently also the auditor for the Danish subsidiaries. For 2019, the total remuneration to the company's auditor amounted to SEK 3.2 m (7.0) The total remuneration to other auditors in the Group during the period amounted to SEK 4.1 m (0.3). Please refer to Note 36 for further information.

The auditor is appointed for a term of one year by the shareholders following a proposal by the Board of Directors and following recommendation from the Audit Committee. The scope of the auditor's duties, including audit and non-audit duties, is agreed annually between the Board of Directors and the auditor based on recommendations by the Audit Committee.

The company has regular discussions and regularly exchanges information with the auditor. To ensure that the dealings of the Board and Audit Committee's treatment are conducted in a structured manner, and to meet the Board's information requirements, Nordic Waterproofing's auditors met the Audit Committee on two occasions in 2019.

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, and has attended, the Board meeting at which the Annual Report of the company is presented and – under the Board's rules of procedure – any other Board meetings at which financial statements are considered, on which the auditor must provide a statement.

#### INFORMATION POLICY AND INSIDER AND LOGBOOK POLICY

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

#### THE IR FUNCTION

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

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

#### ADDITIONAL INFORMATION

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

#### REQUIREMENT TO DISCLOSE SHAREHOLDINGS

Since Nordic Waterproofing Holding A/S's registered office is located in Denmark, the Swedish Financial Instruments Trading Act (1991:980) provides that corresponding Danish rules apply as regards the requirement to disclose shareholdings. For the purpose of designating the home member state pursuant to the Transparency Directive (2004/109/EC, as amended), Denmark is the company's home member state. Pursuant to section 38 of the Danish Capital Markets Act, holders of shares in Danish companies with shares admitted to trading on Nasdaq Stockholm are required to give simultaneous notice to the company and the Danish FSA of the shareholdings in the company immediately, when the shareholding reaches, exceeds or falls below thresholds at intervals of 5, 10, 15, 20, 25, 50 or 90 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](http://www.nordicwaterproofing.com) under the headline Shareholders for more information.

**BOARD WORK IN 2019**

A minimum of six ordinary Board meetings will be held each year. In 2019 the Board held 12 Board meetings (14). 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.

**PRINCIPLES FOR REMUNERATION**

The following are the principles for remuneration of senior executives adopted by the 2019 Annual General Meeting:

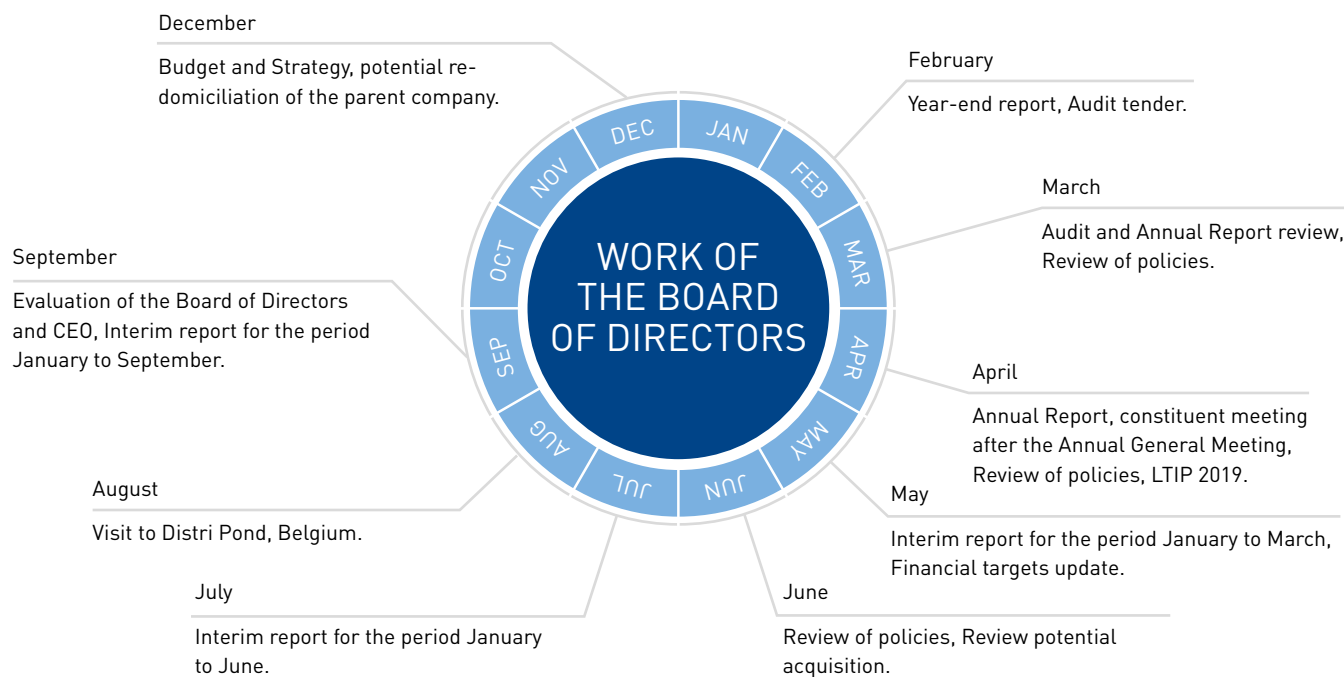
Members of the company’s Board of Directors and Executive Board receive a fixed annual remuneration. In addition, members of the Board of Directors and Executive Board may receive incentive-based remuneration consisting of cash bonus (including cash bonuses based on development in the share price) –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

**CASH BONUS REMUNERATION**

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

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





# BOARD



Name	Ulf Gundemark	Steffen Baungaard	Allan Lindhard Jørgensen
Position	Chairman of the Board since 2015. Chairman of the Remuneration Committee. Member of the Nomination Committee.	Board member since 2019.	Board member since 2018. Member of the Audit Committee.
Year elected	2015	2019	2018
Born	1951	1967	1965
Nationality	Swedish	Danish	Danish
Other assignments	Board member of AQ Group AB, GUMACO AB, OptiGroup AB and Swedish Stirling AB.	Vice chairman of Arkil A/S and HusCompagniet A/S. Board member of Carl Ras A/S, Brøndum A/S, M.B Packaging A/S and Frederikshøj Ejendomme A/S.	CEO of Dovista A/S. Chairman of the Boards of Velfac A/S, Rational Vinduer A/S, and Svenska Fönster AB. Board member of OH Industri A/S, and Pankas A/S.
Previous assignments	Chairman of Bridge to China AB, Chairman and Board member of Lindab International AB and Board member of Scandi Standard AB, Solar A/S, Lantmännen ek förening, Lønne International AS and Constructor Group A/S.	Group CEO of HusCompagniet A/S, Koncerndirektør NCC Danmark A/S and Sales director VELFAC A/S.	Board member of Huscompagniet A/S, CEO of Kemp & Lauritzen A/S, COO of NCC AB, CEO of Eurodan-huse A/S, chief accountant with Eurodan-huse A/S, auditor with PricewaterhouseCoopers A/S.
Education	Master of Science in Electrotechnology from Chalmers University of Technology, Gothenburg, Sweden. Supplementary courses at IFL and INSEAD.	Master of Business Economics at Copenhagen Business School, Building constructor at BTH, Copenhagen and various leadership courses (Harvard and IMD).	Bachelor of Commerce, Accounting, Copenhagen Business School, Denmark.
Independent in relation to major shareholders	Yes.	Yes.	Yes.
Independent in relation to the company	Yes.	Yes.	Yes.
Shareholding in Nordic Waterproofing <sup>1)</sup>	34,000 shares, Has not traded in the NWG share during 2019.	0 shares. Has not traded in the NWG share during 2019.	0 shares. Has not traded in the NWG share during 2019.
Participation in Board meetings	12 of 12 meetings.	9 of 9 meetings.	10 of 12 meetings.
Audit Committee attendance	-	-	3 of 3 meetings.
Remuneration committee attendance	2 of 2 meetings.	-	-
<b>FEES IN 2019<sup>2)</sup></b>			
Board assignments	SEK 500,000	SEK 275,000	SEK 275,000
Committee assignments	SEK 50,000	-	SEK 50,000
<b>Total 2019</b>	<b>SEK 550,000</b>	<b>SEK 275,000</b>	<b>SEK 325,000</b>

1) Own shares and shares held by closely related parties. Board assignments and holdings in Nordic Waterproofing as stated above reflect the situation as per 31 December 2019. 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 2019 calendar year, remuneration was paid as per Note 7. No consulting fees were paid to Board members. Remuneration excludes travel allowances.

# BOARD



Name	Riitta Palomäki	Mats O. Paulsson	Kristina Willgård
Position	Board member since 2016. Chairman of the Audit Committee.	Board member since 2017. Member of the Audit Committee.	Board member since 2017. Member of the Remuneration Committee.
Year elected	2016	2017	2017
Born	1957	1958	1965
Nationality	Finnish	Swedish	Swedish
Other assignments	Member of the Board of Directors, Chair of the Audit Committee and Member of the Nomination and Remuneration Committee at OP Financial Group.	Chairman of the Boards of Caverion Oy, Nordisk Bergteknik AB. Board member of Bösarps Grus & Torrbruk AB.	CEO of AddLife AB, Chairman of the Board of AddLife Development AB, Board member of Mediplast AB, Biolin Scientific AB, and Biomedica Medizinprodukte GmbH, and assignments as member and shareholder in Willgård AB.
Previous assignments	Board member, Chair of the Audit Committee and member of the Remuneration Committee at HKScan Oy, Executive Vice President and CFO of Uponor Oy, Board member and Chair of the Audit Committee of Componenta Oy, CFO of Kuusakoski Group, various managerial positions at Konecranes and ABB Finland.	CEO of Bravida AB, CEO of Strabag Scandinavia AB and CEO of Peab Industri AB. Member of the boards of Acando AB, Paroc Oy, Ramirent Plc, BTH Bygg AB, and WinGroup AG.	CFO of Addtech AB, Finance Director at Ericsson AB, CFO of Netwise AB, CFO of Acando AB and auditor at Arthur Andersen, among other managerial positions. Board member of Serneke Group AB.
Education	Master of Science in Accounting and ICT from Turku School of Economics and Business Administration, Finland.	Master of Science in Engineering from Lund University of Technology, Sweden.	Master of Science of Economics, Lund University, Sweden.
Independent in relation to major shareholders	Yes.	Yes.	Yes.
Independent in relation to the company	Yes.	Yes.	Yes.
Shareholding in Nordic Waterproofing <sup>1)</sup>	5,000 shares. Has purchased 2,000 NWG shares during 2019.	15,000 shares. Has not traded in the NWG share during 2019.	0 shares. Has not traded in the NWG share during 2019.
Participation in Board meetings	12 of 12 meetings.	12 of 12 meetings.	10 of 12 meetings.
Audit Committee attendance	4 of 4 meetings.	4 of 4 meetings.	-
Remuneration committee attendance	-	-	2 of 2 meetings.
<b>FEES IN 2019<sup>2)</sup></b>			
Board assignments	SEK 275,000	SEK 275,000	SEK 275,000
Committee assignments	SEK 100,000	SEK 50,000	SEK 25,000
<b>Total 2019</b>	<b>SEK 375,000</b>	<b>SEK 325,000</b>	<b>SEK 300,000</b>

1) Own shares and shares held by closely related parties. Board assignments and holdings in Nordic Waterproofing as stated above reflect the situation as per 31 December 2019. 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 2019 calendar year, remuneration was paid as per Note 7. No consulting fees were paid to Board members. Remuneration excludes travel allowances.

# GROUP MANAGEMENT



Name	Martin Ellis	Per-Olof Schrewelius	Petter Holth	Bengt-Erik Karlberg	Mats Lindborg
Position	President and CEO.	Chief Financial Officer (CFO).	Head of Nordic Waterproofing Norway.	Head of Veg Tech.	Head of Nordic Waterproofing Sweden.
Employed since	2011	2020	2012	2005	1986
In current position since	2015	2020	2017	2018	2011
Born	1956	1963	1959	1969	1964
Nationality	British	Swedish	Norwegian	Swedish	Swedish
Education	Diploma from HEC Paris Business School, France. In addition, attended Stern Business School in New York, US and Getulio Vargas Business School in Sao Paulo, Brazil.	MSc in Business Administration and Economics from Lund University.	Four-year technical high school diploma in Building and Civil Engineering from Gjøvik Tekniske Fagskole, Norway.	Development Engineer (B.Sc.) Halmstad University, Sweden. Trained reserve officer in the Royal Swedish Air Force.	Four-year technical high school diploma in Building and Civil Engineering from Erik Dahlbergs Gymnasium in Jönköping, Sweden.
Selection of previous positions	CEO of Nordic Waterproofing and Chairman of the Board of Nordic Waterproofing. 30 years of experience as CEO and other leading positions, including at Icopal (CEO) and Saint Gobain (President of the Building Materials Division).	Over 20 years of experience from different CFO and Finance Manager positions in various industries including medical technology and engineering.	30 years of experience of sales and marketing in the building industry. CEO of Nortett Bygg AS.	More than 20 years of senior management experience, including at Veg Tech and Mekra Lang.	30 years of experience in sales and marketing positions, including at Trelleborg Waterproofing.
Shareholding in Nordic Waterproofing <sup>1)</sup>	366,270 shares. Has not traded in the NWG share during 2019.	0 shares.	83,920 shares. Has sold 70,475 NWG shares during 2019.	15,000 shares. Has not traded in the NWG share during 2019.	14,414 shares. Has sold 50,000 NWG shares during 2019.

1) Own and closely related. Holdings in Nordic Waterproofing as stated above reflect the situation as per 31 December 2019.

# GROUP MANAGEMENT



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	2015	2009
In current position since	2017	2011	2017	2011
Born	1969	1962	1976	1961
Nationality	Finnish	Danish	Danish	Swedish and German
Education	Master of Science in building economics and a Bachelor in building construction technology from Tampere University, Finland.	Bachelor in Business Administration from Aarhus University, a Bachelor in Marketing from Aalborg University and an Executive Master of Business Administration from the Scandinavian International Management Institute in Copenhagen. Has also studied the Advanced Management Programme at INSEAD.	Carpenter from Svendborg Erhvervsskole, Denmark and an AP degree in Construction Technology from Erhvervsakademiet Lillebælt, Denmark.	Master of Science in electronics engineering from Industrie und Handelskammer in Bochum, Germany. In addition, he has studied an Executive Marketing Program and Executive Board Program at IFL, Stockholm School of Economics, Sweden.
Selection of previous positions	CEO of Nesco Group and various managerial positions at Icopal Finland and other companies in the building material industry.	30 years of experience of leading positions and sales and marketing, including at Trelleborg Phønix A/S.	CEO of AtticGroup A/S and AtticGroup AB, and 20 years of experience from development, sales and prefabrication within the construction industry.	20 years of experience of managing positions, including at Trelleborg Waterproofing.
Shareholding in Nordic Waterproofing <sup>1)</sup>	12,055 shares. Has not traded in the NWG share during 2019.	53,029 shares. Has sold 45,454 NWG shares during 2019.	19,000 shares. Has not traded in the NWG share during 2019.	20,000 shares. Has sold 70,504 NWG shares during 2019.

1) Own and closely related. Holdings in Nordic Waterproofing as stated above reflect the situation as per 31 December 2019.

## REMUNERATION OF GROUP MANAGEMENT

SEK m		Fixed salary	Variable salary	Other benefits	Total	Pension	Total including pension
CEO	2019	5.6	3.3	0.0	8.9	0.0	8.9
	2018	5.1	3.1	0.0	8.2	0.0	8.2
Group Management	2019	14.1	5.7	1.3	21.1	2.9	24.0
	2018	13.5	4.7	1.2	19.4	2.2	21.6
<b>Total</b>	<b>2019</b>	<b>19.7</b>	<b>9.0</b>	<b>1.3</b>	<b>30.0</b>	<b>2.9</b>	<b>32.9</b>
Total	2018	18.6	7.8	1.2	27.6	2.2	29.8

# RISKS AND RISK MANAGEMENT

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

Demand for Nordic Waterproofing's products and solutions varies by market. The Group focuses on maintaining an exposure to market segments that generally offer a favourable balance between parts of the construction industry that dominate in the earlier and later stages of the economic cycle, as well as towards private individuals and industrial players between which demand is well balanced. Seasonal effects occur and are particularly apparent in the Installation Services operating segment. Read more about seasonal effects on page 51.

## RISKS OF CONFIDENCE

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

## CRISIS MANAGEMENT

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

## RESPONSIBILITY AND REVIEW

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

Responsibility for risk work lies with the managers of each of Nordic Waterproofing's different business units. Responsibility refers both to ongoing efforts with operational and other relevant risks, to advance and develop work in the area of risk. A bottom-up risk assessment is conducted annually in each business unit. A risk matrix with the ten greatest risks – their probability, consequences and measures for reducing or preventing those risks – is then consolidated from each business unit up to the Group level, forming the basis for a list of the Group's shared risks.

Financial risk management is administered by the Group CFO who is responsible for the Group's external banking relationships, liquidity management, net financial items, interest-bearing liabilities and assets, and for Group-wide payment systems and netting of currency positions. The centralization of financial management entails considerable economies of scale and lower financing costs, while ensuring strict management of the Group's financial risks and improved internal control. Read more about Nordic Waterproofing's significant risks and risk management on pages 78–80.

## MAJOR RISKS AT NORDIC WATERPROOFING

RISK	DESCRIPTION	DEVELOPMENT	
Market	<b>Development of the construction market</b>	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 2019. Following the latest acquisitions, Nordic Waterproofing's distribution of sales changed slightly, with approximately 50 percent to renovation and 50 percent to new build.
	<b>Competition</b>	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	<b>Unforeseen problems in connection with acquisitions</b>	Unforeseen business-related problems associated with the acquired companies or the integration processes may take longer or be costlier than anticipated, and expected synergies could fail to, or only partially, materialize. Thus, the value of assets relating to the acquisitions – goodwill – may not be realized and may need to be written down.	During 2019, the Group made one larger acquisition (Distri Pond). Plans for integrating the new acquisition into SealEco 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.
	<b>Seasonality</b>	Irregular seasonal variations, e.g. an earlier winter season, may affect building activities.	The Group maintains an agile organization to meet the challenges posed by the Nordic winter and summer weather conditions.
	<b>Disruption in production</b>	The Group's manufacturing and installation operations could suffer stoppages or disruptions in the form of, for example, fire, engine breakdowns, failures in IT systems, disputes with labour organizations, weather conditions or natural disasters.	The bitumen manufacturing units in Denmark, Finland and Sweden are maintained routinely and, once a year, production is stopped for systematic servicing. In addition, Nordic Waterproofing has spare capacities in its production units, allowing for a shorter accidental stop.
	<b>Environmental permits</b>	The production facilities in Denmark, Finland and Sweden are subject to mandatory reporting obligations and require permits. The operations affect the external environment primarily through noise and emissions.	The Group has all necessary permits for its operations and is monitoring any changes in the environmental regulations and permit regulations in each relevant country.
	<b>IT system and process failure</b>	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 2019.
	<b>Supplier relationships</b>	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. At the end of 2019, Nynas, an important supplier of bitumen, filed for company reorganization. The Group has chosen to increasingly supplement with more suppliers to secure deliveries of bitumen in the event that Nynas could no longer fulfill its commitments.
	<b>Raw material costs</b>	There is a risk that the Group will be unable to compensate for an increase in the cost of input goods by imposing a higher price on a customer or that this compensation will only be obtained after a period of time, which will have an adverse effect on the Group's results and financial position.	The Group is exposed to volatility of raw materials, and can decide to hedge the price levels for a certain period and/or respond by increasing the price of its products. During 2019, the spot prices for bitumen were volatile but mitigated by hedge agreements made in 2018.
	<b>Political risks</b>	Nynas, one of Nordic Waterproofing's key bitumen suppliers, has historically sourced part of its oil from producers operating in Venezuela. Following an Executive Order by the US Treasury Department's Office of Foreign Assets Control ("OFAC"), Nynas is no longer allowed to continue to purchase products from their supplier.	Due to the current political situation in Venezuela, Nordic Waterproofing will continue to be in contact with its suppliers that may be affected of any sanctions.
	<b>Effects of Brexit</b>	Nordic Waterproofing conducts operations in the UK through its business unit SealEco. The operations in the UK are to a certain extent dependent on imports of goods from the production unit in Sweden, but combined with the fact that Nordic Waterproofing's sales in the UK account for less than 2 percent of the Group's total sales, Nordic Waterproofing estimates that an exit from the EU, in one form or another, will not have a significant direct impact on the Group's earnings.	The development surrounding Brexit was continuously monitored in order to mitigate potential negative effects. Brexit took place in January 2020.

## MAJOR RISKS AT NORDIC WATERPROOFING

RISK	DESCRIPTION		DEVELOPMENT
Legal	Competition law	Competition authorities have the power to take legal action and may require a party to cease applying terms and conditions or prices in agreements that are found to be anti-competitive.	Nordic Waterproofing A/S and other providers of waterproofing products are subject to an investigation by the Danish Competition and Consumer Authority (KFST). The decision from the Danish Competition Council has been appealed, and the Danish Competition Appeals board has decided to remit the case back to the Council for re-assessment. At present, the process is uncertain and not possible to predict. Nordic Waterproofing is cooperating with the KFST.
	Changes to regulations	Changes in stimuli to encourage the construction of new-buildings, e.g. legislation, regulations and rules affecting town planning, zoning plans and land development, as well as building permit/planning permission regulations, may change in the future. Furthermore, changes may occur in the regulations for contributions, such as the ROT deductions in Sweden and household allowances in Finland.	Nordic Waterproofing's products are well established in all relevant markets and the Group is exposed to a limited extent to changes in the subsidies in different countries.
	Intellectual property rights	The Group has developed products that lack patent protection that may be more important to the Group and its competitive position on the market than what has previously been considered to be commercially reasonable. There is also a risk that the Group will be unable to defend trademarks and patents granted.	The Group has assigned an external party and established routines to register and maintain its patents, trade marks and other intellectual property.
	Compliance risks	With 1,116 employees in ten countries there is an inherent risk that any Nordic Waterproofing employee is involved in unethical behavior in terms of bribery, corruption, fraud or other illegal or unethical behaviour. The same goes for the Group's suppliers.	In 2018, the Group's Code of Conduct and Whistleblower policy was implemented. The document will be followed up annually in the annual performance reviews. In 2019 four whistleblower cases were reported. In addition, the development of a Code of Conduct for Suppliers was introduced.
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 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. The Group maintains a close relationship with its customers and any delays are monitored and rectified as soon as possible. No major credit loss was reported in 2019.
Sustainability	Environmental and occupational health and safety risks	The Group is exposed to environmental and production risks, such as major fires with both production stoppages and environmental impact as a consequence. Group operations, especially the installation businesses which involve roof laying, are also subjected to risks of accidents, with very severe injuries or even deadly outcomes as a consequence.	With regard to fires in proprietary production, this is followed up for each individual business unit in an annual assessment with preventive action programmes and testing of emergency contingencies. The follow-up is reported to Group Management. The Group continuously trains personnel with the aim of minimizing risks and accidents. Best practice comparisons are made between the different countries' organizations.
	Human rights	The Group has both common supply chains, and supply chains specific for our business units. We evaluate our suppliers but there is a risk that there are breaches of labour and human rights lower in the value chain.	In 2018, we initiated a project looking further into the possible impacts of our business. A Supplier Code of Conduct was introduced in 2019.

# THE SHARE AND OWNERSHIP INFORMATION

## SHARE PRICE AND TRADING

The closing price for the NWG share on 30 December 2019 was SEK 96.20 (71.30), corresponding to a market capitalization of approximately SEK 2,317 m (1,717). In 2019, a total of 8,983,399 NWG shares were traded on the Nasdaq Stockholm exchange for an average price of SEK 85.75 per share.

The average number of shares traded per trading day was 35,934. The highest price paid during the period 1 January to 31 December 2019 was SEK 103.40 (88.90) on 2 December and the lowest price paid was SEK 69.30 (67.10) on 29 January. The share price on 30 December 2019 was SEK 96.20 (last price paid). During the period from 1 January to 31 December 2019, Nordic Waterproofing's share price increased by 34.9 percent, while the OMX Mid Cap index increased by 32.4 percent.

## SHAREHOLDERS

On 31 December 2019, most of the total share capital was owned by Swedish institutions and mutual funds (57.9 percent) and private investors (10.2 percent). At 31 December 2019 Nordic Waterproofing Holding A/S had more than 3,800 (3,700) shareholders. The ten largest share-

holders accounted for 64.8 (60.6) percent of the votes and 64.4 percent (60.6) of the share capital.

The Nordic Waterproofing Board of Directors held a total of 54,000 (72,976) NWG shares. The holdings of the individual members appear on pages 41–42. Group Management held a total of 633,698 (872,331) NWG shares. The holdings of the individual members appear on pages 43–44. Nordic Waterproofing held 200,000 (11,610) treasury shares as per 31 December 2019.

As part of the long-term performancebased incentive programmes (LTIP 2017, LTIP 2018 and LTIP 2019) the company may repurchase shares with the purpose of ensuring the supply of shares through the exercise of performance shares in LTIP 2017, LTIP 2018 and LTIP 2019. Additional information on LTIP 2019 is provided on page 63, Note 7.

## SHARE CAPITAL AND CAPITAL STRUCTURE

Nordic Waterproofing Holding A/S's share capital at 31 December 2019 amounted to DKK 24,083,935. The total number of shares is 24,083,935. The quota value per share is DKK 1.00.

## INDIVIDUALS WITH AN INSIDER POSITION

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

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

## DIVIDEND POLICY AND DIVIDEND FOR 2019

For 2019, the Board proposes a dividend of SEK 4.50 (4.00) per share, which is equal to 55 (64) percent of net profit for the year. Based on the share price of NWG shares at the end of 2019, the dividend yield for 2019 was 4.7 (5.6) percent. The total dividend payment of SEK 107 m is to be resolved at the Annual General Meeting and disbursement is handled by VP Securities A/S and Euroclear Sweden AB.

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

Nordic Waterproofing's long-term intention is a dividend payout of more than 50 percent of its net profit. The payout decision

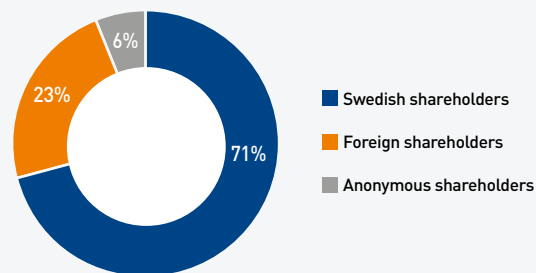
will be based on the company's financial position, investment needs, liquidity position as well as general economic and business conditions. Neither the Danish Companies Act nor Nordic Waterproofing's Articles of Association contain any restrictions regarding the right to dividends for shareholders outside Sweden. Aside from any limitations related to banking or clearing activities in the affected jurisdictions, payments to foreign shareholders will be carried out in the same manner as to shareholders in Sweden.

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

## INVESTOR RELATIONS

Nordic Waterproofing aims to be informative and accessible to all shareholders. For results and other key announcements, we provide information on a timely basis to both retail and institutional shareholders. The Nordic Waterproofing corporate website contains a wealth of material for shareholders, including the current share price, press releases and dividends. The website can be accessed at [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com). Nordic Waterproofing maintains a quiet period from the first day following the last day of the quarter until the publication of the Group's quarterly financial reports. During this period, representatives of the Group will not meet with financial media, analysts or investors.

GEOGRAPHIC DISTRIBUTION OF SHAREHOLDERS AS PER 31 DECEMBER 2019, VOTES, %





## KEY INVESTOR RELATIONS ACTIVITIES DURING THE YEAR

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

- February 2019 – Presentation of the fourth quarter and full-year 2018, Stockholm, Sweden and Frankfurt, Germany
- March 2019 – Industrials Seminar, Stockholm, Sweden
- April 2019 – Annual General Meeting 2019, Helsingborg, Sweden
- May 2019 – Presentation of the first quarter, web cast
- July 2019 – Presentation of the second quarter, web cast
- August 2019 – Small Cap Seminar, Stockholm, Sweden
- September 2019 – Introduce Investor Days, Stockholm, Sweden
- October 2019 – Presentation of the third quarter, Stockholm, Sweden
- November 2019 – Investor meetings, Helsinki, Finland
- November 2019 – Börsplus Profitable Smallcap Companies, Stockholm, Sweden

## THE FOLLOWING ANALYSTS MONITOR NORDIC WATERPROOFING'S DEVELOPMENT

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

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

## INFORMATION ABOUT ANNUAL GENERAL MEETING 2020

The Annual General Meeting of Nordic Waterproofing Holding A/S, originally planned to take place on Wednesday, 29 April, has been postponed due to the Covid-19 situation.

## NOTIFICATION TO ATTEND THE ANNUAL GENERAL MEETING

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

To participate in the meeting and to be able to exercise their voting rights, shareholders must be included in the share register maintained by VP Securities A/S seven days at the latest prior to the Annual General Meeting and notify the company of their intention to participate by the same day.

Shareholders who have registered their shares with a trustee must have temporarily registered their shares in their own name seven days prior to the Annual General Meeting.

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

## PROPOSALS TO ANNUAL GENERAL MEETING 2020

The Board of Directors and the CEO propose that shareholders be paid a cash dividend of SEK 4.50 per share (4.00). Given the uncertainty as a result of the spread of Covid-19, the Board will further analyse the situation why the dividend proposal might be adjusted.

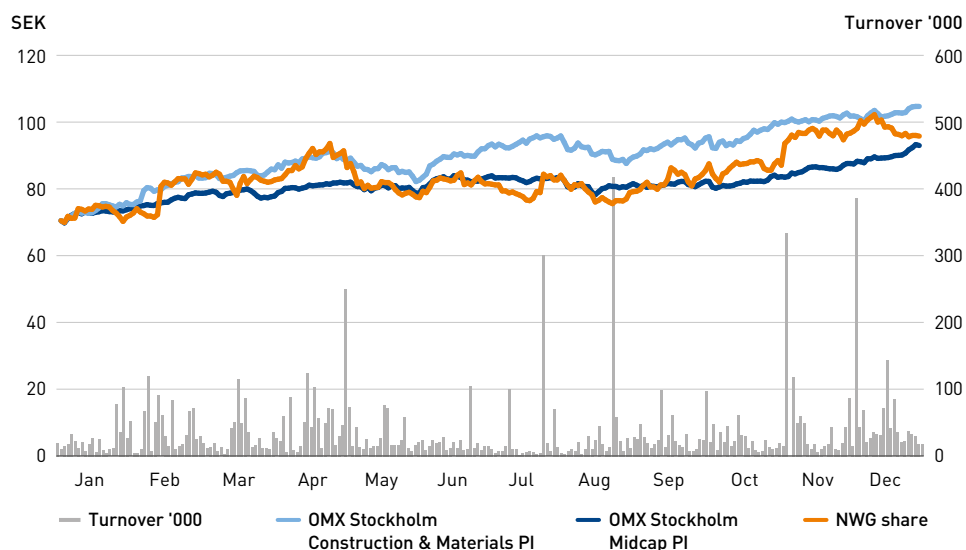
## IR CONTACT

Per-Olof Schrewelius, CFO and investor relations. Phone: +46 70 782 79 58  
e-mail: [pos@nordicwaterproofing.com](mailto:pos@nordicwaterproofing.com)

SEK	2019	2018
Earnings after dilution	8.13	6.30
Shareholders' equity	49.64	45.26
Dividend	4.50*	4.00
Dividend as a % of earnings per share	55.4%	63.5%
Total dividend, SEK m	107.5	96.3
Yield, %	4.7%	5.6%
Market price, 31 December, last paid price, SEK	96.20	71.30
P/E ratio	11.8	11.3
Number of shares, at 31 December	24,083,935	24,083,935
Number of shares, annual average	24,083,935	24,083,935

\*Proposed dividend for 2019

## NORDIC WATERPROOFING'S SHARE TREND 2019



# FINANCIAL REVIEW

## FINANCIAL REVIEW

### Net sales

Consolidated net sales in 2019 increased by 16 percent to SEK 3,122 m (2,680), with both our operating segments contributing. Organic growth amounted to 7 percent, and sales in acquired companies contributed by 7 percent following the acquisitions made during the year. The currency translation effect was positive and affected net sales by 2 percent. The Products & Solutions operating segment reported a sales increase of 17 percent, and the Installation Services operating segment achieved an increase of 15 percent. The legacy business within bitumen roofing in the Nordics was strong with demand overall at healthy levels but with local variations. Markets are somewhat more cautious with slightly negative market expectations in Finland. In Norway we continue to experience strong competition and price pressure as the consolidation within builders' merchants is on-going. The consolidation is also visible in Sweden and we continue seeing customer movements between different builders' merchants. On the other hand, the Swedish flat roofing market remains stable and we still only see a minor impact from the weaker housing market and Nordic Waterproofing has successfully increased its market shares in both Norway and Sweden. In Denmark, the flat roofing market remains strong although organic growth has flattened out during the year. Sales in SealEco and the rubber membrane business has been strong and positively affected in part by Distri Pond which was acquired earlier this year. The market for prefabricated facade elements in Norway was strong and the business has grown substantially. Both RVT in Norway and Taasinge Elementer in Denmark show strong order books at the end of the year.

### Operating profit (EBIT)

Operating profit (EBIT) for the period January–December increased to SEK 260 m (212) and the EBIT margin increased to 8.3 percent (7.9). The EBIT-impact following the implementation of IFRS 16 was insignificant, however depreciation of right-of-use assets was SEK 47 m (0). EBITDA was positively affected by SEK 48 m (0). Both the bitumen roofing product sales as well as our installation services business have developed positively. The raw material purchase prices have in general been stable, and favorably helped by the bitumen hedge agreements as the bitumen spot prices have been volatile during the year. In our Finnish installation services business, our deliberate and selective approach towards profitable projects and execution thereof showed positive financial effects and further improvement in 2019. The profitability challenges in Taasinge Group, our prefabricated elements business, continued over the year, and a comprehensive profit improvement program has been implemented and organizational adjustments have been made.

One larger acquisition, Distri Pond in Belgium, was finalized in February 2019. Distri Pond performed in line with expectations at the time of acquisition and contributed to the increased results.

Hence, the financial performance for the year was based on the combination of organic growth in both operating segments in most of our markets, a favorable development of our raw material prices due to the bitumen hedge agreements, contribution from acquired business, as well as favorable weather conditions during the autumn in all the Nordic countries.

### Net financial items

Net financial items were SEK 6 m higher than in the preceding year and amounted to SEK -28 m (-22). External interest expenses amounted to

SEK -19 m (-11) due to the increased leverage following the acquisitions of Veg Tech in the second half of previous year, as well as Distri Pond in the beginning of 2019. The net fair value adjustment of call/put options for the remaining shares in the acquired companies amounted to SEK -2 m (-7), due to a stronger performance than originally anticipated at the time of acquisition.

### Taxes

Income tax for 2019 amounted to SEK -37 m (-39) corresponding to an effective tax rate of 15.8 percent (20.2). The lower effective tax rate is primarily explained by the substantial profit increase in Finland where no tax cost is recorded due to tax-loss carry-forwards, as well as increased share of profit in the Danish associated companies, and lower tax non-deductible acquisition-related transaction expenses and fair value adjustments connected to the call/put options for the remaining shares in the acquired companies.

### Net profit for the year

Net profit for the year increased to SEK 196 m (152). The increase in profit in comparison with the preceding year is primarily attributable to the organic growth in both operating segments and contribution from acquired business.

### Balance sheet

The balance sheet total increased SEK 409 m and amounted to SEK 2,536 m (2,127).

Equity increased by SEK 104 m and came to SEK 1,209 m (1,106) at year-end 2019. In May, a cash dividend of SEK 96 m was paid. Percentage-wise, the solvency ratio was 48 percent (52) at the end of the year.

Nordic Waterproofing's principal external financing agreement is valid until June 2021 and contains, as per the end of 2019, a EUR 73 m

term loan facility and a EUR 26.5 m revolving loan facility, of which EUR 14.4 m is allocated to the Group cash pool overdraft facility. The loan and credit facilities bear variable interest and run without requiring repayment in instalments. The financing agreement contains financial covenants which are monitored and followed up on a quarterly basis. Every quarter, Nordic Waterproofing has fulfilled the terms and conditions of the facility agreements.

Consolidated net debt has increased following the acquisitions made and dividend payment and amounted to SEK 610 m at the end of the period, compared with SEK 442 m at the end of the preceding year. IFRS 16 increased net debt by SEK 131 m at the end of the year. Consolidated cash and cash equivalents increased by SEK 51 m and amounted to SEK 197 m (106) at the end of the period. Out of the Group's total overdraft facility of SEK 150 m (148), SEK 0 m (57) was utilized at the end of the year. Hence, the total liquidity available was SEK 347 m (197). Indebtedness calculated as interest-bearing net debt/EBITDA before items affecting comparability was 1.6x (1.6x) at the end of the period, and the net debt/equity ratio was 0.5x (0.4x).

### Cash flow

Operating cash flow for the full year 2019 compared with the preceding year increased, amounting to SEK 306 m (180), entailing an operating cash conversion of 83 percent (65). The higher cash flow is primarily explained by higher EBITDA compared to the preceding year, as well as decreased net working capital. The cash conversion improved after previous years temporarily lower level.

The cash flow from operating activities was higher than in the previous year, amounting to SEK 312 m (185).

The negative cash flow from investing activities was lower than in the previous year, amounting to SEK 142 m (311). During 2019 only one larger acquisition was made, Distri Pond, compared with previous year when two companies were acquired and one asset deal was finalized. The negative net cash impact due to the acquisitions of business was SEK 49 m (228), while gross investments in tangible and intangible assets amounted to SEK 65 m (56).

The cash flow from financing activities amounted to SEK -80 m (73). In May, a cash dividend of SEK 96 m was paid. In addition, external loans were increased in connection with the acquisition of Distri Pond in February. During the first quarter, treasury shares for SEK 15 m (0) were acquired.

**Significant events during the year**

On 10 December 2019, the Board of Directors of Nordic Waterproofing Holding A/S announced that it has decided to examine the possibilities of a re-domiciliation of the parent company from Denmark to Sweden. The Group's operations will be unchanged and no employees are expected to be affected. The intention is to carry out the re-domiciliation during 2020.

On 13 December 2019, Nordic Waterproofing's supplier Nynas AB (publ) filed for company reorganisation. Nordic Waterproofing's initial assessment is that Nynas decision does not affect Nordic Waterproofing's operations.

The management of Nordic Waterproofing has for a long time monitored the development of Nynas, an important supplier of bitumen, a raw material used for several of Nordic Waterproofing's key products. The Group has chosen to increasingly supplement with more suppliers to secure deliveries of bitumen in the event that Nynas could no longer fulfill its commitments. Our production is limited during the winter period and the current assessment is therefore that the Group's operations will not be affected as a result of Nynas' decision.

**Significant event after year-end**

The Annual General Meeting of Nordic Waterproofing Holding A/S, originally planned to take place on Wednesday, 29 April, has been postponed due to the Covid-19 situation.

**Expectations for the financial year 2020**

Nordic Waterproofing has the construction industry as its primary customer group. Sales are primarily affected by the activity in Northern Europe, with emphasis on the Nordic countries representing 84 percent of the Group's external sales in 2019. Nordic Waterproofing's assessment is that the business as per end-March 2020 has not experienced any material negative impact related to the outbreak of Covid-19 (the Corona virus). The impact during the rest of the year, given the uncertain situation, is difficult to estimate but will likely have a dampening effect on sales if the pace of construction is slowing down as stricter measures are taken. It is difficult to estimate the extent to which Nordic Waterproofing will be affected in the future as we do not know how long each country's efforts will last. When setting the expectations for 2020, Nordic Waterproofing expected an operating profit (EBIT) in line with 2019, assuming comparable winter conditions during the fourth quarter. As the potential impact of Covid-19, as described above is unknown at this time, it is currently not possible to provide further guidance.

All employees take the situation seriously and exercise great care in relation to the safety of our colleagues and customers. The development is closely monitored and Nordic Waterproofing adjusts its measures in accordance with the advice and regulations of local authorities. Nordic Waterproofing has a strong financial position with a solid balance sheet following strong results and cashflows from previous years.

**SEASONALITY**

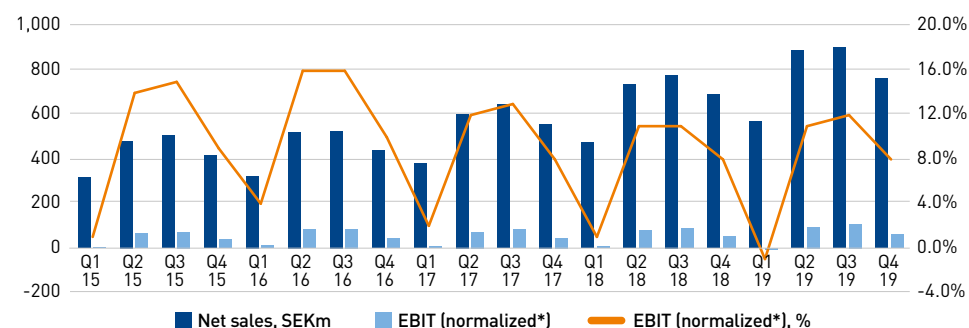
Nordic Waterproofing's business is affected by seasonal variations – the months of January,

February and December being the weakest months. In 2019, 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

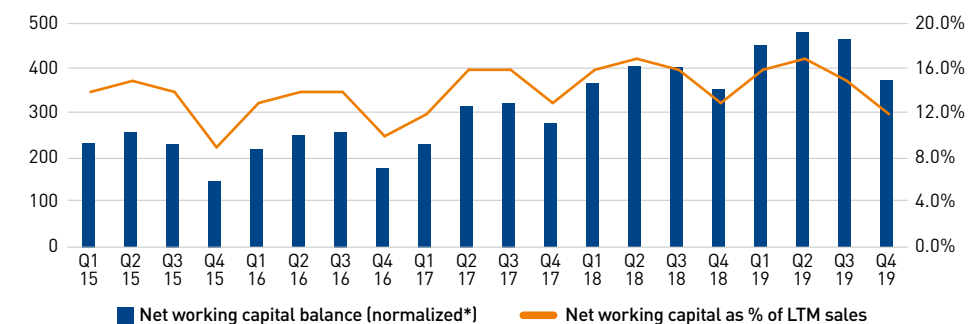
annual earnings. The same applies if the winter is long and the season starts late in the spring. As a result of active efforts in the management of working capital, the average working capital requirement decreased in 2019, after the increase in 2017 and 2018 which were primarily a consequence of increased net working capital following the acquisitions made during the years. The graph below illustrates the seasonal pattern in the Company's working capital by quarter during 2015-2019.

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 2015-2019.

**Seasonal variations in net sales and profitability**



**Seasonal variations in working capital**



\*The graphs have been adjusted for items affecting comparability for comparative reasons

# CONTENTS

## FINANCIAL INFORMATION

### FINANCIAL STATEMENTS

Consolidated statement of profit or loss	53
Consolidated statement of other comprehensive income	53
Consolidated statement of financial position	54
Consolidated statement of cash flows	55
Consolidated statement of changes in equity	56

### LIST OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### Basis of preparation

1 Accounting policies	57
2 Changes in accounting policies	58
3 Significant accounting judgements, estimates and assumptions	58

#### Results for the year

4 Operating segments	59
5 Significant types of income	61
6 Operating costs by nature	61
7 Employees and personnel expenses	61
8 Pensions	63
9 Other operating income and expenses	64
10 Financial income and expenses	64
11 Taxes	64

#### Group structure

12 Participations in associated companies	66
13 Group companies and subsidiaries	66
14 Acquisitions	68
15 Information on the parent company	69
16 Related parties	69

#### Operating assets and liabilities

17 Intangible assets	69
18 Property, plant and equipment	71
19 Leases	73
20 Inventory	73

21 Trade receivables	73
22 Receivables for on-going construction contracts	73
23 Other current receivables	74
24 Prepaid expenses and accrued income	74
25 Other current liabilities	74
26 Accrued expenses and prepaid income	74

#### Capital structure and financing

27 Other investments	74
28 Cash and cash equivalents	74
29 Equity	74
30 Earnings per share	75
31 Interest-bearing liabilities	75
32 Other non-current liabilities	75
33 Financial instruments	76
34 Financial risks and finance policy	78
35 Contingent liabilities	80

#### Other disclosures

36 Audit fees and expenses	81
37 Statement of cash flows	81
38 Events after the reporting date	81

#### FINANCIAL STATEMENTS PARENT COMPANY

Parent company statement of profit or loss	82
Parent company statement of financial position	82
Parent company statement of changes in equity	83
Parent company notes	84

#### STATEMENTS AND REPORTS

Statement by the Executive Board and the Board of Directors	85
Independent Auditor's Report	86
Financial definitions	89
Glossary	89
Shareholder's information	90



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

SEK m	Note	2019	2018
Net sales	4, 5	3,121.6	2,679.7
Cost of goods sold	6	-2,308.3	-1,999.9
<b>Gross profit</b>		<b>813.3</b>	<b>679.7</b>
Selling expenses	6	-391.6	-322.4
Administrative expenses	6	-185.6	-161.1
Research and development expenses	6	-5.6	-6.7
Other operating income	9	10.5	7.3
Other operating expenses	6, 9	-4.5	-4.5
Share of profit in associated companies	12	23.8	19.8
<b>Operating profit</b>	4, 7, 36	<b>260.3</b>	<b>212.1</b>
Financial income		1.0	1.0
Financial expenses		-28.7	-22.9
<b>Net finance items</b>	<b>10</b>	<b>-27.7</b>	<b>-21.9</b>
<b>Profit before tax</b>		<b>232.6</b>	<b>190.3</b>
Tax	11	-36.9	-38.5
<b>Profit for the year</b>		<b>195.8</b>	<b>151.8</b>
<b>Attributable to:</b>			
Shareholders of the Parent Company		197.9	152.1
Non-controlling interests		-2.1	-0.3
		<b>195.8</b>	<b>151.8</b>
Earnings per share before dilution (SEK)	30	8.19	6.30
Earnings per share after dilution (SEK)	30	8.13	6.30

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

SEK m	Note	2019	2018
<b>Profit for the year</b>		<b>195.8</b>	<b>151.8</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		13.2	32.4
Gains/losses on hedging of currency risk in foreign operations		-2.3	-6.8
Gains/losses on raw material hedging		0.1	3.2
Tax on gains/losses on other comprehensive income		0.5	0.8
<b>Other comprehensive income for the year</b>		<b>11.4</b>	<b>29.7</b>
<b>Total comprehensive income for the year</b>		<b>207.2</b>	<b>181.4</b>
<b>Comprehensive income for the year attributable to:</b>			
Shareholders of the Parent Company		209.0	181.7
Non-controlling interests		-1.8	-0.3
<b>Comprehensive income for the year</b>		<b>207.2</b>	<b>181.4</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK m	Note	2019	2018
<b>ASSETS</b>			
Goodwill	17	951.8	878.5
Other intangible assets	17	133.2	96.9
Property, plant and equipment	18	388.9	268.1
Investments in associated companies	12	91.4	55.3
Receivables from associated companies		8.8	6.7
Other investments	27	2.2	2.1
Deferred tax assets	11	0.8	0.0
Other non-current receivables		21.4	16.3
<b>Total non-current assets</b>		<b>1,598.4</b>	<b>1,323.8</b>
Inventory	20	382.5	345.8
Trade receivables	21	265.0	250.6
Receivables for on-going construction contracts	22	51.5	54.3
Receivables from associated companies		8.5	10.9
Current tax assets		1.5	2.4
Other current receivables	23	16.2	15.5
Prepaid expenses and accrued income	24	15.8	17.9
Cash and cash equivalents	28	196.9	105.6
<b>Total current assets</b>		<b>937.9</b>	<b>803.2</b>
<b>Total assets</b>		<b>2,536.2</b>	<b>2,127.0</b>

SEK m	Note	2019	2018
<b>EQUITY</b>			
Share capital		30.0	30.0
Treasury shares		-15.6	-0.8
Reserves		61.9	50.9
Retained earnings including profit for the year		1,011.7	913.6
Proposed dividend for the financial year		107.5	96.3
<b>Equity attributable to shareholders of the Parent Company</b>		<b>1,195.5</b>	<b>1,090.0</b>
<b>Non-controlling interests</b>		<b>14.1</b>	<b>15.6</b>
<b>Total equity</b>	<b>29</b>	<b>1,209.6</b>	<b>1,105.6</b>
<b>LIABILITIES</b>			
Non-current interest-bearing liabilities	31	762.7	416.3
Other non-current liabilities	32	43.2	38.1
Provisions		5.8	5.9
Deferred tax liabilities	11	91.1	75.2
<b>Total non-current liabilities</b>		<b>902.8</b>	<b>535.4</b>
Current interest-bearing liabilities	31	44.2	131.0
Trade payables		130.1	129.2
Payables for on-going construction contracts	22	20.3	15.5
Current tax liabilities		5.7	11.7
Other current liabilities	25	51.0	46.0
Accrued expenses and prepaid income	26	172.4	152.6
<b>Total current liabilities</b>		<b>423.8</b>	<b>485.9</b>
<b>Total liabilities</b>		<b>1,326.6</b>	<b>1,021.4</b>
<b>Total equity and liabilities</b>		<b>2,536.2</b>	<b>2,127.0</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

SEK m	Note	2019	2018
<b>OPERATING ACTIVITIES</b>			
Operating profit		260.3	212.1
Adjustment for non-cash items etc	37	89.7	38.9
Interest received		0.8	0.8
Interest paid		-22.4	-10.6
Dividends received		18.9	12.1
Income tax paid		-40.5	-37.2
<b>Cash flow from operating activities before working capital changes</b>		<b>306.8</b>	<b>216.1</b>
<b>CASH FLOW FROM WORKING CAPITAL CHANGES</b>			
Increase (-)/Decrease (+) in inventories		-4.9	-31.5
Increase (-)/Decrease (+) in trade receivable		10.2	10.1
Increase (-)/Decrease (+) in other operating receivables		1.1	-11.8
Increase (+)/Decrease (-) in trade payable		-18.0	8.7
Increase (+)/Decrease (-) in other operating liabilities		17.0	-6.8
<b>Cash flow from operating activities</b>		<b>312.2</b>	<b>184.8</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of intangible assets		-19.5	-20.2
Acquisition of property, plant and equipment		-41.0	-35.5
Disposal of property, plant and equipment		1.8	0.2
Acquisition of business, net cash impact	14	-53.1	-228.2
Acquisition of participations in associated companies		-31.2	-19.4
Disposal of participations in associated companies		1.0	0.0
Increase in receivables in associated companies		0.0	-4.3
Decrease in receivables in associated companies		0.0	0.0
Increase in other non-current receivables		0.0	-3.8
Proceeds from other financial investments		0.0	0.0
<b>Cash flow from investing activities</b>		<b>-142.0</b>	<b>-311.2</b>

SEK m	Note	2019	2018
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings	31	370.5	259.3
Repayment of borrowings	31	-340.2	-95.0
Repurchased own shares		-14.8	-0.8
Dividends paid		-95.5	-90.3
Dividends paid to non-controlling interests		-0.7	0.0
<b>Cash flow from financing activities</b>		<b>-80.0</b>	<b>73.2</b>
Cash flow for the year		90.2	-53.3
Cash and cash equivalents at beginning of year		105.6	156.8
Exchange-rate differences in cash and cash equivalents		1.1	2.1
<b>Cash and cash equivalents at year-end</b>		<b>196.9</b>	<b>105.6</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK m	Equity attributable to Parent Company shareholders							Non-controlling interests	Total equity
	Share capital	Treasury shares	Reserves for hedging	Translation reserve	Dividend	Retained earnings	Total		
Equity as at 1 January 2019	30.0	-0.8	2.5	50.1	96.3	911.8	1,090.0	15.6	1,105.6
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>									
Profit for the year	-	-	-	-	-	197.9	197.9	-2.1	195.8
Other comprehensive income for the year	-	-	0.1	10.5	-	-	10.6	0.4	10.9
Tax on gains/losses on comprehensive income	-	-	-	0.5	-	-	0.5	-	0.5
<b>Total comprehensive income for the year</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>11.0</b>	<b>0.0</b>	<b>197.9</b>	<b>209.0</b>	<b>-1.8</b>	<b>207.2</b>
<b>TRANSACTIONS WITH THE GROUP'S OWNERS</b>									
Provision for long-term incentive program	-	-	-	-	-	6.9	6.9	-	6.9
Repurchased own shares	-	-14.8	-	-	-	-	-14.8	-	-14.8
Paid dividend	-	-	-	-	-96.3	0.8	-95.5	-	-95.5
Proposed dividend for the financial year	-	-	-	-	107.5	-107.5	0.0	-	0.0
<b>Total contributions from and distribution to owners</b>	<b>0.0</b>	<b>-14.8</b>	<b>0.0</b>	<b>0.0</b>	<b>11.2</b>	<b>-99.8</b>	<b>-103.5</b>	<b>0.0</b>	<b>-103.5</b>
<b>CHANGES IN PARTICIPATING INTERESTS IN SUBSIDIARIES</b>									
Transactions with non-controlling interests	-	-	-	-	-	-	0.0	0.3	0.3
<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>0.3</b>	<b>0.3</b>
<b>Total transactions with the Group's owners</b>	<b>0.0</b>	<b>-14.8</b>	<b>0.0</b>	<b>0.0</b>	<b>11.2</b>	<b>-99.8</b>	<b>-103.5</b>	<b>0.3</b>	<b>-103.2</b>
Equity as at 31 December 2019	30.0	-15.6	2.6	61.1	107.5	1,009.9	1,195.5	14.1	1,209.6

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



# NOTES

## 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 2019 and for the comparative information as per 31 December 2018.

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

### BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

### FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The Parent Company's functional currency and 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 recognized in the profit/loss for the year. Non-monetary assets and liabilities that are recognized at historical cost are translated to the exchange rate on the transaction date. Non-monetary assets and liabilities recognized at fair value are translated to the functional currency at the exchange rate prevailing at the time of the fair value measurement.

#### Financial statements of foreign operations

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

#### Net investment in a foreign operation

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

### IMPAIRMENT LOSSES

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

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

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

An impairment loss is recognized when an asset's or cash-generating unit's (group of units) carrying amounts exceed the recoverable amount. An impairment loss is recognized as an expense in profit/loss for the year. Once an impairment require-

ment 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 receivables with impairment requirements are recognized at the present value of expected future cash flows. Receivables with a short duration are, however, not discounted.

#### **Reversal of impairment losses**

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

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

#### **PROVISIONS**

A provision differs from other liabilities in that there is uncertainty about the payment date or the amount to settle the provision.

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

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

#### **NOTE 2 CHANGES IN ACCOUNTING POLICIES**

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

IFRS 16 Leases, which replaced IAS 17 Leases, is applied by the Group as of 1 January 2019. The new standard entails that most leases will be recognized in the balance sheet, as the distinction between operational and financial leases is being removed. Under the new standard, the Group recognizes a right-of-use asset and a corresponding lease liability for all leases for which the Group is the lessee. The only exceptions are short-term leases (leases with a maximum term of 12 months) and low-value leases (leases for which the underlying asset is of low value). The Group has used the modified retrospective application approach as transition method, which means that comparison figures have not been recalculated. As per 1 January 2019, the Group has reported additional lease liabilities of SEK 137 m, right-of-use assets of SEK 143 m, while prepaid lease expenses were reduced by SEK 6 m.

##### **NEW IFRS NOT YET APPLIED**

No new or revised IFRS that enter into effect in future financial years have been applied in advance in preparation of these 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 recognized in the period the change is made if the change only affects this period, or in the period the change is made and future periods if the change affects both the current period and future periods.

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

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

##### **IMPAIRMENT TESTING OF GOODWILL**

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

**OTHER**

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

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

**NOTE 4 OPERATING SEGMENTS****ACCOUNTING POLICIES**

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

The Group's operations are divided into operating segments based on what parts of the business the company's highest executive decision-maker follows up on, 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 on 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 2019, the highest executive decision-maker followed up on the segments' operating profit (EBIT).

The following operating segments have been identified:

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

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

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

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

2019 SEK m	Products & Solutions	Installation Services	Group items and eliminations	Group
Revenue from external customers	2,255.3	866.4	0.0	3,121.6
Revenue from other segments	103.2	0.0	-103.2	0.0
<b>Revenue, total</b>	<b>2,358.5</b>	<b>866.4</b>	<b>-103.2</b>	<b>3,121.6</b>
<b>EBITDA</b>	<b>331.9</b>	<b>74.4</b>	<b>-35.7</b>	<b>370.6</b>
Depreciation & amortization	-92.9	-14.7	-2.7	-110.3
<b>Operating profit (EBIT)</b>	<b>239.0</b>	<b>59.7</b>	<b>-38.4</b>	<b>260.3</b>
Net finance items				-27.7
<b>Profit after finance items but before tax (EBT)</b>				<b>232.6</b>
Tax				-36.9
<b>Profit for the year</b>				<b>195.8</b>
<b>ASSETS</b>				
Intangible assets	944.8	130.1	10.1	1,085.0
Property, plant and equipment	354.6	29.0	5.3	388.9
Participations in associated companies	0.0	91.4	0.0	91.4
Inventory	376.9	5.6	0.0	382.5
Other assets	308.9	97.2	-27.8	378.3
Non-allocated assets			210.1	210.1
<b>Total assets</b>	<b>1,985.2</b>	<b>353.3</b>	<b>197.7</b>	<b>2,536.2</b>
<b>LIABILITIES AND EQUITY</b>				
Equity			1,209.6	1,209.6
Other liabilities	329.2	88.8	-38.3	379.7
Non-allocated liabilities			946.9	946.9
<b>Total liabilities and equity</b>	<b>329.2</b>	<b>88.8</b>	<b>2,118.2</b>	<b>2,536.2</b>
Investments in property, plant and equipment and other intangible assets	54.7	8.4	1.6	64.7

2018 SEK m	Products & Solutions	Installation Services	Group items and eliminations	Group
Revenue from external customers	1,927.2	752.5	0.0	2,679.7
Revenue from other segments	95.8	0.0	-95.8	0.0
<b>Revenue, total</b>	<b>2,023.0</b>	<b>752.5</b>	<b>-95.8</b>	<b>2,679.7</b>
<b>EBITDA</b>	<b>259.4</b>	<b>47.4</b>	<b>-32.3</b>	<b>274.5</b>
Depreciation & amortization	-54.3	-6.2	-1.9	-62.3
<b>Operating profit (EBIT)</b>	<b>205.2</b>	<b>41.2</b>	<b>-34.3</b>	<b>212.2</b>
Net finance items				-21.9
<b>Profit after finance items but before tax (EBT)</b>				<b>190.3</b>
Tax				-38.5
<b>Profit for the year</b>				<b>151.8</b>
<b>ASSETS</b>				
Intangible assets	837.9	127.4	10.1	975.4
Property, plant and equipment	255.7	11.8	0.5	268.1
Participations in associated companies	0.0	55.3	0.0	55.3
Inventory	338.5	7.3	0.0	345.8
Other assets	278.7	106.4	-19.4	365.6
Non-allocated assets			116.8	116.8
<b>Total assets</b>	<b>1,710.9</b>	<b>308.2</b>	<b>107.9</b>	<b>2,127.0</b>
<b>LIABILITIES AND EQUITY</b>				
Equity			1,105.6	1,105.6
Other liabilities	308.8	79.0	-38.6	349.2
Non-allocated liabilities			672.2	672.2
<b>Total liabilities and equity</b>	<b>308.8</b>	<b>79.0</b>	<b>1,739.2</b>	<b>2,127.0</b>
Investments in property, plant and equipment and other intangible assets	44.5	5.5	5.7	55.7

**NOTE 5 SIGNIFICANT TYPES OF INCOME****ACCOUNTING POLICIES****Sale of goods**

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

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

**Construction contracts**

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

If revenue from a construction contract exceeds the invoicing, a receivable for on-going construction contracts is recognized.

If the invoicing exceeds the delivered services, a payable for ongoing construction contracts is recognized. See Note 22.

**Significant types of income**

SEK m	2019	2018
Sale of goods	1,865.7	1,592.4
Construction contracts	1,255.9	1,087.3
<b>Total</b>	<b>3,121.6</b>	<b>2,679.7</b>

**Time of revenue recognition**

SEK m	2019	2018
At a certain point in time	1,865.7	1,592.4
Over time	1,255.9	1,087.3
<b>Total</b>	<b>3,121.6</b>	<b>2,679.7</b>

**GEOGRAPHIC AREAS****Revenues from external customers**

SEK m	2019	2018
Denmark	698.9	707.9
Sweden	535.2	440.8
Norway	411.5	303.7
Finland	978.0	856.0
Europe (excluding Nordic region)	491.7	366.4
Other countries	6.3	4.9
<b>Total</b>	<b>3,121.6</b>	<b>2,679.7</b>

**Non-current assets**

SEK m	2019	2018
Denmark	411.9	367.0
Sweden	529.3	514.8
Norway	86.3	62.2
Finland	286.7	258.6
Europe (excluding Nordic region)	159.7	40.9
<b>Total</b>	<b>1,473.9</b>	<b>1,243.5</b>

Revenue from external customers has 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 the consolidated sales. A maximum of approximately 2.0 percent of the consolidated sales were attributable to a single customer.

**NOTE 6 OPERATING COSTS BY NATURE**

SEK m	2019	2018
Material costs and goods for resale	1,468.5	1,330.2
Change in inventory of finished goods and work in progress	-37.3	-65.5
Employee benefits	748.7	621.7
Depreciation & amortization	112.2	62.3
Other external costs	599.0	541.4
Other operating expenses	4.5	4.5
<b>Total</b>	<b>2,895.6</b>	<b>2,494.6</b>

**NOTE 7 EMPLOYEES AND PERSONNEL EXPENSES****ACCOUNTING POLICIES****Remuneration of employees****Short-term employee benefits**

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

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

**Benefits upon termination**

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

**Expenses for employee benefits**

SEK m	2019	2018
Salaries and benefits, etc.	608.7	509.7
Pension expenses, defined-contribution plans	22.8	18.8
Social security contributions	117.2	93.2
<b>Total</b>	<b>748.7</b>	<b>621.7</b>

Average number of employees FTE (Full Time Equivalents)	2019	of which men	2018	of which men
<b>PARENT COMPANY</b>				
Denmark	1	100%	1	100%
<b>Total in Parent Company</b>	<b>1</b>	<b>100%</b>	<b>1</b>	<b>100%</b>
<b>SUBSIDIARIES</b>				
Denmark	260	84%	256	84%
Sweden	191	76%	145	75%
Norway	95	92%	71	88%
Finland	466	93%	467	93%
Other	103	83%	93	86%
<b>Total in subsidiaries</b>	<b>1,115</b>	<b>87%</b>	<b>1,032</b>	<b>87%</b>
<b>Group total</b>	<b>1,116</b>	<b>87%</b>	<b>1,033</b>	<b>87%</b>

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

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

SEK m	2019	2018
<b>Remuneration to the Board and CEO of Nordic Waterproofing Holding A/S:</b>		
Remuneration of Board members	2.1	2.1
Salaries and benefits to CEO	8.9	8.2
	<b>11.0</b>	<b>10.3</b>
<b>Remuneration to Group management in Nordic Waterproofing Group 1 AB with subsidiaries:</b>		
Salaries and benefits	21.1	19.4
Pension expenses, defined-contribution plans	2.9	2.2
	<b>24.0</b>	<b>21.6</b>
<b>Total remuneration to the Board, CEO and Group management team in the Group</b>	<b>35.0</b>	<b>31.9</b>

2019	Fixed salary	Variable salary	Pension	Other benefits	Total
Chairman of the Board: Ulf Gundemark	0.5	–	–	–	0.5
Board member: Steffan Baungaard (from April 2019)	0.2	–	–	–	0.2
Board member: Jørgen Jensen (until March 2019)	0.1	–	–	–	0.1
Board member: Allan Jørgensen	0.3	–	–	–	0.3
Board member: Riitta Palomäki	0.4	–	–	–	0.4
Board member: Mats O. Paulsson	0.3	–	–	–	0.3
Board member: Kristina Willgård	0.3	–	–	–	0.3
President and CEO: Martin Ellis	5.6	3.3	–	–	8.9
Other senior executives (8 persons)	14.1	5.7	2.9	1.3	24.0
<b>Total</b>	<b>21.8</b>	<b>9.0</b>	<b>2.9</b>	<b>1.3</b>	<b>35.0</b>

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

**PRINCIPLES FOR REMUNERATION OF THE BOARD**

The Chairman of the Board receives a fixed fee of SEK 500 t per year, and the remaining Board members receive SEK 275 t per year. The Chairman of the Audit committee receives an additional SEK 100 t per year and the Audit committee members receive SEK 50 t per year. The Chairman of the Remuneration committee receives an additional SEK 50 t per year and the Remuneration committee members receive SEK 25 t per year.

**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 a fixed salary and, in addition to this, a variable salary and non-monetary benefits. The variable salary shall be based on the achievement of quantitative and qualitative targets. Total remuneration of the President and CEO amounted in 2019 to SEK 8.9 m [8.2].

**Periods of notice and severance pay**

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

**Pension benefits**

The employment contract for the CEO ends without prior cancellation at the time of the CEO's retirement. No pension premiums for the CEO have been reserved, but 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 a fixed salary and pension and shall also be able to consist of a 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 the 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 the Group management team have the right to retire at the age of 67, and are entitled to pension benefits in accordance with the company's pension policy.

**INCENTIVE PROGRAMS**

The 2017, 2018 and 2019 Annual General Meetings resolved to authorize the Board of Directors to establish a Long-Term Incentive Program ("LTIP 2017", "LTIP 2018" and "LTIP 2019") offered to the CEO and other senior executives of the Group. The participants shall be allotted, free-of-charge, performance share rights entitling them to allocations of shares in the Company. Each right converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the right. The right carry neither rights to dividends nor voting rights. Performance shares may be granted to the individual participant when targets have been met over a period of three years. The target is measured each year and the outcome is set after three years. Performance shares may only be granted to the individual participant if the participant is still employed by the Company and has not given, or been served, notice during the three-year vesting period. Targets for the participants are based on annual growth of operating profit before items affecting comparability, interest and taxes ("EBIT growth"). The total cost, including social security charges, is estimated to be at most SEK 10 m for each program under the assumption of an average annual growth of operating profit (EBIT) before items affecting comparability of 10-12 percent. The fair value of share rights is estimated at the grant date using a simplified model taking expected EBIT growth into consideration. No new shares will be issued in the Company due to the programs. However, the Company will acquire treasury shares in order to secure the provision of shares and to secure and cover social security charges. The costs for the programs are expected to have a marginal effect on Nordic Waterproofing Group's key ratios. For 2019, the Group's earnings were charged with SEK 5.2 m [3.0] and 200,000 [11,610] treasury shares were acquired as of 31 December 2019. The maximum number of shares that can be granted under the LTIP 2017, LTIP 2018 and LTIP 2019 are 98,843, 140,731 and 143,038, respectively.

**NOTE 8 PENSIONS****ACCOUNTING POLICIES****Defined contribution plans**

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

Commitments for retirement pensions and family pensions for white-collar employees in Sweden are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, this is a defined-benefit plan that comprises multiple employers. For the 2019 financial year, the company has not had access to information that makes it possible to recognize this plan as a defined-benefit plan. The pension plan according to ITP is secured through insurance in Alecta and is therefore recognized as a defined-contribution plan. The year's fees for pension insurances taken out in Alecta amount to SEK 9.1 m [6.4]. Alecta's surplus can be distributed to the policyholders and/or the beneficiaries. At the end of 2019, Alecta's surplus in the form of the collective solvency level amounted to 148 percent [142]. 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>11</sup>

SEK m	2019	2018
	22.0	18.8

<sup>11</sup> This includes SEK 9.1 m (6.4) for ITP plans financed in Alecta, see above.

Next year's expected contributions to defined-benefits plans covered by several employers, but recognized as if the plan was a defined-contribution plan, amount to approximately SEK 9.1 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 recognized in profit/loss for the year at the time the associated companies recognize the sales to their customers.

Other operating income SEK m	2019	2018
Royalty	6.2	5.1
Capital gains	0.4	0.4
Exchange gains on operating receivables/ liabilities	3.9	1.8
<b>Total</b>	<b>10.5</b>	<b>7.3</b>

Other operating expenses SEK m	2019	2018
Exchange losses on operating receivables/ liabilities	-4.1	-3.9
Other	-0.4	-0.6
<b>Total</b>	<b>-4.5</b>	<b>-4.5</b>

**NOTE 10 FINANCIAL INCOME AND EXPENSES****ACCOUNTING POLICIES**

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

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

SEK m	2019	2018
Interest income	0.8	0.8
Net exchange-rate changes	0.1	0.0
Other financial income	0.1	0.2
<b>Financial income</b>	<b>1.0</b>	<b>1.0</b>
Interest expenses on loans at amortized cost	-21.6	-11.7
Fair value adjustment put options	-1.8	-7.1
Net exchange-rate changes	0.0	-0.8
Other financial expenses	-5.3	-3.3
<b>Financial expenses</b>	<b>-28.7</b>	<b>-22.9</b>
<b>Net finance items</b>	<b>-27.7</b>	<b>-21.9</b>

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

Interest expenses include period-allocated arrangement fee for liabilities to credit institutions in an amount of SEK 2.3 m (1.1).

**NOTE 11 TAXES****ACCOUNTING POLICIES**

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

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

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

**RECOGNIZED IN THE STATEMENT OF PROFIT OR LOSS**

SEK m	2019	2018
<b>CURRENT TAX EXPENSE (-)/ TAX REVENUE (+)</b>		
Tax expense for the period	-36.9	-38.4
Adjustment of tax attributable to earlier years	0.0	0.0
	-36.9	-38.4
<b>DEFERRED TAX EXPENSE (-)/ TAX REVENUE (+)</b>		
Deferred tax for temporary differences	0.0	-0.1
Deferred tax resulting from changes in tax rates	0.0	0.0
	<b>0.0</b>	<b>0.0</b>
<b>Total reported tax expenses in the Group</b>	<b>-36.9</b>	<b>-38.5</b>



Reconciliation of effective tax SEK m	2019	%	2018	%
<b>Profit/loss before tax</b>	<b>232.6</b>		<b>190.3</b>	
Tax according to current tax rate for the Parent Company	-51.2	22.0	-41.9	22.0
Effect of other tax rates for foreign subsidiaries	2.3	-1.0	-1.3	0.7
Non-deductible expenses	-1.9	0.8	-1.7	0.9
Non-taxable revenue	0.1	0.0	1.0	-0.5
Result from participations in associated companies	5.3	-2.3	4.2	-2.2
Increase in loss carry-forwards without corresponding capitalization of deferred tax	-0.5	0.2	-0.6	0.3
Utilisation of earlier, non-capitalized loss carry-forwards	8.1	-3.5	4.2	-2.2
Effect of changed tax rates/and tax regulations	0.0	0.0	-0.1	0.0
Other	0.9	-0.4	-2.3	1.2
<b>Reported effective tax</b>	<b>-36.9</b>	<b>15.8</b>	<b>-38.5</b>	<b>20.2</b>

#### RECOGNIZED IN THE BALANCE SHEET

##### Deferred tax assets and liabilities

##### Recognized deferred tax assets and liabilities

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

SEK m	Deferred tax 2019		
	Asset	Liability	Net
Property, plant and equipment	0.3	14.3	-14.0
Intangible assets	0.3	27.3	-27.0
Inventory	2.5	1.2	1.3
Other current assets	0.0	14.6	-14.6
Untaxed reserves	0.0	41.3	-41.3
Tax loss carry-forwards	5.9	0.0	5.9
Other	1.0	1.7	-0.7
<b>Tax assets/liabilities</b>	<b>10.0</b>	<b>100.3</b>	<b>-90.3</b>
Offset	-9.2	-9.2	0.0
<b>Tax assets/liabilities, net</b>	<b>0.8</b>	<b>91.1</b>	<b>-90.3</b>

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

##### Unrecognized deferred tax assets

Total unrecognized deferred tax assets amount to SEK 0.7 m (8.1), hereof tax loss carry-forwards for which deferred tax assets have not been recognized in the income statement and balance sheet amount to SEK 0.7 m (8.1), of which SEK 0.7 m expires within 1-5 years.

#### Change in deferred tax in temporary differences and tax loss carry-forwards

SEK m	Balance as per 1 Jan 2019	Recognized in profit/loss for the year	Recognized in other comprehensive income	Acquisition/Divestment of business	Balance as per 31 Dec 2019
Property, plant and equipment	-18.3	4.3	-	-	-14.0
Intangible assets	-9.9	-5.9	-	-11.2	-27.0
Inventory	1.5	-0.2	-	-	1.3
Other current assets	-10.7	-3.9	-	-	-14.6
Other current liabilities	0.0	-	-	-	0.0
Untaxed reserves	-37.4	-3.9	-	-	-41.3
Tax loss carry-forwards	0.0	5.9	-	-	5.9
Other	-0.4	-0.3	-	-	-0.7
	<b>-75.2</b>	<b>-3.9</b>	<b>0.0</b>	<b>-11.2</b>	<b>-90.3</b>

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

## 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 percent of the number of votes. The vast majority of the associated companies in the Group are customers of the Danish subsidiaries, and also franchisees where they have access to the concepts and brands Phønix Tag and Hetag Tagdækning.

As of the date that significant influence is obtained, participations in associated companies are recognized according to the equity method in the consolidated accounts. The equity method means that the value of the shares recognized in the Group corresponds to the Group's share of the associated companies' equity and consolidated goodwill and other potential remaining value of consolidated surpluses and deficits. In the consolidated profit/loss for the year, the Group's share of the associated companies' profit or loss adjusted for any depreciation, amortization, impairment losses and reversals of acquired surpluses or deficits is recognized in "Share of profit in associated companies". These shares in profit less dividends received from the associated companies comprise the main change in the carrying amount of participations in associated companies.

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

Transaction costs that arise are included in the cost.

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

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

SEK m	2019	2018
Carrying amount at the beginning of the year	55.3	30.7
Acquisitions of associated companies	31.2	20.1
Divestment of associated companies	-1.0	-3.8
Dividend for the year	-18.9	-12.6
Share of profit in associated companies	23.8	19.8
Reclassification	0.0	0.0
Reversed impairment losses	0.0	0.0
Translation differences for the year	1.0	1.1
<b>Carrying amount at the end of the year</b>	<b>91.4</b>	<b>55.3</b>
Share of profit in associated companies	23.8	19.8
Other comprehensive income	0.0	0.0
<b>Total comprehensive income</b>	<b>23.8</b>	<b>19.8</b>

#### Specification of holdings of participations in associated companies

Associated companies	Domicile	2019 Voting and capital share in %	2018 Voting and capital share in %
Takkonsulten i Helsingborg AB	Helsingborg, Sweden	-	25%
AB Tätskiktsgarantier i Norden	Sundsvall, Sweden	50%	50%
Hetag Byens Tag A/S	Faaborg-Midtfyn, Danmark	40%	40%
Hetag JK Tagentreprise A/S	Herlev, Danmark	40%	40%
Hetag Nordjysk Tag A/S	Brønderslev-Dronninglund, Danmark	70%	70%
Hetag Tagdækning Nord A/S	Aarhus, Danmark	40%	40%
Hetag Tagdækning Syd A/S	Hedensted, Danmark	40%	40%
IFA Tagdækning A/S	Guldborgsund, Danmark	40%	-
Morsø Tagdækning ApS	Morsø, Danmark	40%	-
Nordisk Tagdækning A/S	Roskilde, Danmark	40%	40%

Associated companies	Domicile	2019 Voting and capital share in %	2018 Voting and capital share in %
Phønix Tag Energi A/S	Favrskov, Denmark	40%	40%
Phønix Tag Esbjerg A/S	Esbjerg, Denmark	40%	40%
Phønix Tag Fyn A/S	Faaborg-Midtfyn, Denmark	40%	40%
Phønix Tag Grønland ApS	Sermersooq, Denmark	40%	40%
Phønix Tag Holbæk-Næstved A/S	Næstved, Denmark	40%	40%
Phønix Tag København A/S	Furesø, Denmark	40%	40%
Phønix Tag Nordjylland A/S	Aalborg, Denmark	40%	40%
Phønix Tag Nordsjælland A/S	Furesø, Denmark	40%	40%
Phønix Tag Storentreprise ApS	Hedensted, Denmark	40%	40%
Phønix Tag Svendborg A/S	Svendborg, Denmark	40%	-
Phønix Tag Sønderjylland A/S	Aabenraa, Denmark	40%	40%
Phønix Tag Vejle A/S	Hedensted, Denmark	40%	40%
Phønix Tag Århus A/S	Favrskov, Denmark	40%	40%
Garantiselskabet Dansk Tagdækning ApS	Rudersdal, 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 has been made to conform to the Group's accounting policies. Losses attributable to non-controlling interests are also distributed if non-controlling interests will be negative.

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

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

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

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

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

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

#### Holdings in subsidiaries

The Group consists of 40 subsidiaries. These subsidiaries are owned through a majority of the votes in the respective subsidiary.

Subsidiary (domicile, country)	2019 Voting and capital share in %	2018 Voting and capital share in %
Nordic Waterproofing Group 1 AB (Stockholm, Sweden)	100%	100%
Nordic Waterproofing Group AB (Stockholm, Sweden)	100%	100%
Distri Pond Invest NV (Laakdal, Belgium)	100%	-
Vervas Invest NV (Laakdal, Belgium)	100%	-
Distri Pond NV (Laakdal, Belgium)	100%	-
Pond Technics & Training BVBA (Laakdal, Belgium)	100%	-
Nordic Takvård AB (Helsingborg, Sweden)	100%	100%
Nordic Waterproofing Holding DK ApS (Vejen, Denmark)	100%	100%
Hetag Tagmaterialer A/S (Hedensted, Denmark)	100%	100%
Nordic Waterproofing A/S (Vejen, Denmark)	100%	100%
Hetag Tagdækning Sjælland A/S (Vejen, Denmark)	100%	100%
Hetag Tagdækning Vest A/S (Vejen, Denmark)	100%	100%
Taasinge Elementer A/S (Svendborg, Denmark)	89%	89%
LV Elements SIA (Riga, Latvia)	100%	100%
Nordic Build A/S (Svendborg, Denmark)	100%	100%
Ringsaker Vegg- og Takelementer AS (Ringsker Norway)	75%	75%
TE Montage A/S (Svendborg, Denmark)	90%	-
Nordic Waterproofing AB (Trelleborg, Sweden)	100%	100%
Nordic Waterproofing AS (Askim, Norway)	100%	100%
Nordic Waterproofing Oy (Helsinki, Finland)	100%	100%
AL-Katot Oy (Helsinki, Finland)	100%	100%
KerabitPro Oy (Helsinki, Finland)	100%	100%
LA Kattohuolto Oy (Muurame, Finland)	100%	100%
Nordic Waterproofing Property Oy (Helsinki, Finland)	100%	100%
SPT-Painting Oy (Lappeenranta, Finland)	100%	100%
Nordic Waterproofing SpZoo (Lodz, Poland)	100%	100%
SealEco AB (Värnamo, Sweden)	100%	100%
SealEco BV (Dalfsen, Netherlands)	67%	67%
SealEco AG (Herzogenbuchsee, Switzerland)	51%	51%
SealEco Su Yalitim Teknolojileri A.Ş. (Nilüfer, Turkey)	100%	100%
SealEco GmbH (Marsberg, Germany)	100%	100%
SealEco Holding Belgium NV (Brecht, Belgium)	100%	100%
SealEco Belgium NV (Brecht, Belgium)	100%	100%
SealEco Ltd (London, United Kingdom)	100%	100%
SealEco Contracts Ltd (London, United Kingdom)	-	100%
SealEco NV (Brecht, Belgium)	100%	100%
Veg Tech AB (Alvesta, Sweden)	100%	100%
Blomstertak AS (Ås, Norway)	60%	60%
Nordiska Gröntak AB (Alvesta, Sweden)	100%	100%
Veg Tech A/S (Gentofte, Denmark)	100%	100%
Veg Tech Oy (Kyrkslätt, Finland)	100%	100%

**NOTE 14 ACQUISITIONS**

On 26 February 2019, Nordic Waterproofing Holding A/S's subsidiary Nordic Waterproofing Group AB, acquired 100 percent of the shares in Distri Pond Invest NV. The purchase consideration was SEK 63 m on cash and debt-free basis, and was primarily financed through an extension of Nordic Waterproofing's existing credit facilities. Intangible assets include the value of existing customer relationships at the date of the acquisition amounting to approximately SEK 42 m which will be amortized, and thus affecting operating profit (EBIT) during approximately five years following the acquisition. Goodwill includes the value of market knowledge and synergies from the transaction. No portion of the goodwill is expected to be tax deductible. Acquisition-related costs amounted to SEK 0.5 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.

The acquired business contributed net sales of SEK 94 m and net profit of SEK 4 m to the Group for the period from 27 February to 31 December 2019.

If the acquisition had occurred on 1 January 2019, consolidated proforma net sales and profit for the year ended 31 December 2019 would have been SEK 3,133 m and SEK 196 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 2019, together with consequential tax effects.

Purchase consideration SEK m	Feb 2019 Distri Pond	2019 Other	2019 Total
Cash consideration	52.0	6.3	58.3
Vendor note and earn-out	11.5	0.0	11.5
<b>Total purchase consideration</b>	<b>63.5</b>	<b>6.3</b>	<b>69.8</b>

The acquired companies' net assets on the acquisition date:

Acquisition analysis SEK m, unless otherwise stated	Feb 2019 Distri Pond	2019 Other	2019 Total
Intangible assets	41.8	0.1	41.9
Tangible assets	11.7	0.5	12.2
Inventory	27.3	0.0	27.3
Trade and other receivables	20.2	0.0	20.2
Cash and cash equivalents	5.2	0.0	5.2
Other non-interest bearing liabilities	-28.8	0.0	-28.8
Interest bearing liabilities	-59.7	0.0	-59.7
Deferred tax liabilities	-13.4	0.0	-13.4
<b>Net assets and liabilities</b>	<b>4.3</b>	<b>0.6</b>	<b>4.9</b>
Non-controlling interests	0.0	-0.3	-0.3
Goodwill	59.2	6.0	65.2
<b>Total purchase consideration</b>	<b>63.5</b>	<b>6.3</b>	<b>69.8</b>

Acquisition of business – net cash impact SEK m	Feb 2019 Distri Pond	2019 Other	2019 Total
Cash consideration	52.0	6.3	58.3
Less cash balances acquired	-5.2	0.0	-5.2
<b>Net cash impact – investing activities</b>	<b>46.8</b>	<b>6.3</b>	<b>53.1</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, DK-6600 Vejen, Denmark, while the address of the Group's operational head office is Rönnowsgatan 12, 252 25 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:

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

## NOTE 16 RELATED PARTIES

### RELATED PARTY RELATIONSHIPS

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

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

### COMPILATION OF RELATED PARTY TRANSACTIONS

SEK m	2019	2018
Sale of goods/services and royalties to related parties	231.6	206.1
Purchases of goods/services from related parties	0.0	0.0
Other (e.g. interest, dividends)	18.9	12.1
Receivables from related parties at 31 December	17.3	17.6
Liabilities to related parties at 31 December	0.0	0.0

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

### TRANSACTIONS WITH KEY PERSONS IN MANAGEMENT POSITIONS

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

## NOTE 17 INTANGIBLE ASSETS

### ACCOUNTING POLICIES

#### Goodwill

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

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

#### Customer relationships

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

#### Order book

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

#### Research and development

Expenditures for development, where research results or other knowledge is applied to achieve new or improved products or processes, are recognized as an asset in the statement of financial position if the product or process is technically and commercially usable, the company may reliably calculate the expenditure that will be activated, and the company has adequate resources to complete the development, that will provide economic benefits in the future. The carrying amount includes all directly attributable

expenditures, e.g. for materials and services, compensation to employees, registration of a legal right, amortization on patents and licences, borrowing expenses in accordance with IAS 23. Development expenditures recognized in the statement of financial position are initially measured at cost less accumulated amortization and any impairment losses.

#### Other intangible assets

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

#### Impairment testing of goodwill

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

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.

SEK m	Goodwill	Customer relationships	Order book	Capitalized expenses for ongoing projects	Other	Total
<b>2019</b>						
Opening net book amount	878.5	69.2	0.0	15.8	11.9	975.4
Acquisitions	65.2	41.9	0.0	0.0	0.0	107.1
Investments	0.0	0.0	0.0	7.9	11.6	19.5
Reclassification	0.0	0.0	0.0	-11.4	11.4	0.0
Amortization	0.0	-19.1	0.0	0.0	-6.5	-25.6
Exchange-rate differences	8.1	0.2	0.0	0.2	0.1	8.6
<b>Closing net book amount</b>	<b>951.8</b>	<b>92.2</b>	<b>0.0</b>	<b>12.5</b>	<b>28.5</b>	<b>1,085.0</b>
<b>AT 31 DECEMBER 2019</b>						
Cost	951.8	146.2	19.3	12.5	42.8	1,172.5
Accumulated amortization and impairment	0.0	-53.9	-19.3	0.0	14.3	-87.5
<b>Net book amount</b>	<b>951.8</b>	<b>92.3</b>	<b>0.0</b>	<b>12.5</b>	<b>28.5</b>	<b>1,085.0</b>

SEK m	Goodwill	Customer relationships	Order book	Capitalized expenses for ongoing projects	Other	Total
<b>2018</b>						
Opening net book amount	732.8	47.9	5.7	0.8	9.3	796.5
Acquisitions	125.6	32.0	7.6	0.0	0.0	165.2
Investments	2.6	0.0	0.0	14.7	5.5	22.8
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	0.0	-12.8	-13.7	0.0	-3.2	-29.7
Exchange-rate differences	17.5	2.0	0.4	0.3	0.3	20.5
<b>Closing net book amount</b>	<b>878.5</b>	<b>69.2</b>	<b>0.0</b>	<b>15.8</b>	<b>11.9</b>	<b>975.4</b>
<b>AT 31 DECEMBER 2018</b>						
Cost	878.5	104.0	19.3	15.8	19.7	1,037.3
Accumulated amortization and impairment	0.0	-34.8	-19.3	0.0	-7.8	-61.9
<b>Net book amount</b>	<b>878.5</b>	<b>69.2</b>	<b>0.0</b>	<b>15.8</b>	<b>11.9</b>	<b>975.4</b>

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

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

SEK m	2019	2018
Products & Solutions	834.4	764.2
Installation Services	117.4	114.3
<b>Total</b>	<b>951.8</b>	<b>878.5</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 7.6 percent (8.9) for Products & Solutions and 7.2 percent (7.9) 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 sets 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 forecasts 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 3-year plan). The forecast agrees with earlier experiences and external information sources.

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

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

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

SEK m	2019	2018
Net sales	2.0	0.0
Cost of goods sold	19.9	26.5
Administrative expenses	3.7	3.2
<b>Total</b>	<b>25.6</b>	<b>29.7</b>

### NOTE 18 PROPERTY, PLANT AND EQUIPMENT

#### ACCOUNTING POLICIES

##### Owned assets

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

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

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

##### Subsequent expenditures

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

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

**Depreciation policies**

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

Assets leased are recognized as right-of-use assets in the statement of financial position and are initially recognized at the value of the lease liability, with addition of lease payments made on or before the initial date of the lease and initial direct costs. The right-of-use asset is recognized in subsequent periods at cost less depreciation and impairment. Right-of-use assets are depreciated over their anticipated useful life, or if it is shorter, over the agreed lease term. If a lease transfers ownership rights at the end of the lease term or if the cost includes the probable exercise of a call option, the right-of-use asset is depreciated over its useful life. Depreciation commences on the start date of the lease. Variable lease payments that are not dependent on an index or price are not included in the measurement of right-of-use assets.

SEK m	Land and buildings	Machinery	Equipment & tools	Right-of-use assets - buildings	Right-of-use assets - other	Construction in progress	Total
<b>2019</b>							
Opening net book amount	124.6	103.2	27.0	117.4	25.3	13.3	410.8
Acquisitions	0.0	1.1	2.0	8.2	0.9	0.0	12.2
Investments	4.9	20.7	2.2	5.9	3.8	13.2	50.7
Divestments and disposals	0.0	-1.4	-0.4	-1.8	0.0	0.0	-3.6
Reclassification	1.6	15.4	0.9	0.0	0.0	-17.9	0.0
Depreciation	-6.3	-28.2	-5.5	-35.3	-11.3	0.0	-86.6
Exchange-rate differences	1.4	0.6	0.3	2.3	0.4	0.4	5.4
<b>Closing net book amount</b>	<b>126.2</b>	<b>111.4</b>	<b>26.5</b>	<b>96.8</b>	<b>19.0</b>	<b>9.0</b>	<b>388.9</b>
<b>At 31 December 2019</b>							
Cost	163.8	239.4	63.5	132.1	30.3	9.0	638.1
Accumulated depreciation	-37.6	-128.0	-37.0	-35.3	-11.3	0.0	-249.2
<b>Net book amount</b>	<b>126.2</b>	<b>111.4</b>	<b>26.5</b>	<b>115.8</b>	<b>19.0</b>	<b>9.0</b>	<b>388.9</b>

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

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

SEK m	2019	2018
Cost of goods sold	56.5	27.7
Selling expenses	12.2	1.2
Administrative expenses	17.9	3.7
<b>Total</b>	<b>86.6</b>	<b>32.6</b>



**NOTE 19 LEASES****ACCOUNTING POLICIES**

Expenses for short-term leases and for leases in which the underlying asset is of low value are recognized in profit/loss for the year straight-line over the term of the lease.

**RECONCILIATION OF LEASE OBLIGATIONS IAS 17 AND LEASE LIABILITIES IFRS 16****SEK m**

Lease obligations, 31 December 2018	88.0
Short term leases and low value leases	-2.8
Effects from options to extend	33.6
Effects from discounting	-2.5
Contracts previously not recognized	20.8
<b>Lease liabilities, 1 January 2019</b>	<b>137.1</b>

Amounts for leases recognized in profit/loss:

SEK m	2019	2018
Minimum lease fees	-	35.3
Depreciation of right-of-use assets	46.6	-
Interest expenses for lease liabilities	3.1	-
Fees for short-term leases	2.6	-
Fees for low-value leases	0.1	-

**NOTE 20 INVENTORY****ACCOUNTING POLICIES**

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

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

SEK m	2019	2018
Raw materials and consumables	87.9	86.2
Finished goods and goods for resale	294.6	259.6
<b>Total</b>	<b>382.5</b>	<b>345.8</b>

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

**NOTE 21 TRADE RECEIVABLES****ACCOUNTING POLICIES**

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

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

The Group has usual short-term payment terms.

Trade receivables are recognized after consideration is taken to credit losses arising during the year that amounted to SEK -1.0 m (-2.9).

**AGE ANALYSIS**

SEK m	2019	2018
Trade receivable not overdue	207.7	174.7
Overdue 1–30 days	40.4	56.1
Overdue 31–90 days	8.1	5.7
Overdue > 90 days	8.8	14.1
<b>Carrying amount</b>	<b>265.0</b>	<b>250.6</b>

**PROVISION FOR EXPECTED CREDIT LOSSES**

SEK m	2019	2018
Opening balance	-6.0	-3.9
Reversal of previously applied impairment losses	2.0	0.4
Write-off of previous credit losses	3.0	0.7
Credit losses for the year	-1.0	-2.9
Exchange-rate differences for the year	-0.2	-0.3
<b>Closing balance</b>	<b>-2.2</b>	<b>-6.0</b>

**NOTE 22 RECEIVABLES FOR ON-GOING CONSTRUCTION CONTRACTS****ACCOUNTING POLICIES**

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

SEK m	2019	2018
Generated revenue for on-going construction contracts	798.7	639.8
Invoicing on on-going construction contracts	-767.5	-601.0
<b>Total</b>	<b>31.2</b>	<b>38.8</b>

SEK m	2019	2018
Receivables for on-going construction contracts	51.5	54.3
Payables for on-going construction contracts	-20.3	-15.5
<b>Total</b>	<b>31.2</b>	<b>38.8</b>

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

**NOTE 23 OTHER CURRENT RECEIVABLES****ACCOUNTING POLICIES**

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

SEK m	2019	2018
VAT receivables	6.0	6.1
Fair value, commodity derivatives	3.3	3.2
Balance on tax account	3.0	4.0
Other receivables	3.9	2.2
<b>Total</b>	<b>16.2</b>	<b>15.5</b>

**NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME****ACCOUNTING POLICIES**

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

SEK m	2019	2018
Sales and marketing expenses	4.1	1.8
Energy costs	0.2	0.0
IT	0.9	2.3
Insurance	2.9	1.9
Rent	4.3	3.1
Supplier bonuses	2.1	1.5
Prepaid lease expenses	-6.0	0.0
Other	7.3	7.3
<b>Total</b>	<b>15.8</b>	<b>17.9</b>

**NOTE 25 OTHER CURRENT LIABILITIES****ACCOUNTING POLICIES**

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

SEK m	2019	2018
Personnel-related liabilities	12.6	10.5
VAT liabilities	22.7	20.7
Customer bonuses	0.0	4.2
Advances from customers	0.0	0.0
Short-term vendor note and additional purchase price liability	11.6	5.7
Other liabilities	4.1	4.9
<b>Total</b>	<b>51.0</b>	<b>46.0</b>

**NOTE 26 ACCRUED EXPENSES AND PREPAID INCOME****ACCOUNTING POLICIES**

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

SEK m	2019	2018
Personnel-related expenses	115.9	103.1
Interest expenses	5.5	2.0
Customer bonuses	15.8	13.0
Claims	12.0	6.0
Other	23.2	28.5
<b>Total</b>	<b>172.4</b>	<b>152.6</b>

**NOTE 27 OTHER INVESTMENTS**

SEK m	2019	2018
<b>Financial assets</b>		
Shares and participations	2.2	2.1

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

**NOTE 28 CASH AND CASH EQUIVALENTS****ACCOUNTING POLICIES**

Cash and cash equivalents 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.

SEK m	2019	2018
<b>The following subcomponents are included in cash and cash equivalents:</b>		
Cash and bank balances	196.9	105.6
Total as per balance sheet	196.9	105.6
<b>Total as per cash flow statement</b>	<b>196.9</b>	<b>105.6</b>

**NOTE 29 EQUITY****SHARE CAPITAL AND NUMBER OF SHARES**

Stated in number of shares	2019	2018
Issued at 1 January	24,083,935	24,083,935
<b>Issued at 31 December – paid</b>	<b>24,083,935</b>	<b>24,083,935</b>
<b>Number of shares by class:</b>		
Class A shares	24,083,935	24,083,935
<b>Total</b>	<b>24,083,935</b>	<b>24,083,935</b>

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

Total treasury shares, in order to secure the long-term incentive programs, were 200,000 (11,610), corresponding to 0.8 (0.05) percent of the total share capital, at 31 December 2019.

**RESERVES****Translation reserve**

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

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

#### Hedging reserve

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

#### RETAINED EARNINGS INCLUDING PROFIT FOR THE YEAR

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

#### CAPITAL MANAGEMENT

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

The financial targets for Nordic Waterproofing Group, which are valid as from May 2019, 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. The interest-bearing net debt in relation to EBITDA (measured on a rolling twelve months basis), excluding temporary deviations, shall not exceed 3.0 times. Dividend of SEK 95.5 m (90.3) has been paid to the owners during 2019, why leverage was unchanged and amounts to 1.6 x EBITDA (1.6x) as per the end of the reporting period.

#### NOTE 30 EARNINGS PER SHARE

SEK m	2019	2018
Earnings per share before dilution	8.19	6.30
Earnings per share after dilution	8.13	6.30

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

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

SEK m	2019	2018
Profit/loss attributable to Parent Company shareholders, before and after dilution	197.9	152.1

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

In shares	2019	2018
Total number of shares, 1 January	24,083,935	24,083,935
Weighted average number of shares during the year, before dilution	23,906,146	24,083,451
Weighted average number of shares during the year, after dilution	24,083,935	24,083,935

#### NOTE 31 INTEREST-BEARING LIABILITIES

##### ACCOUNTING POLICIES

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

SEK m	2019	2018
<b>NON-CURRENT LIABILITIES</b>		
Bank loans	697.1	416.3
Lease liabilities	65.6	0.0
<b>Total</b>	<b>762.7</b>	<b>416.3</b>

The non-current part of bank loans has been reduced by SEK 0.9 m (1.9) with regard to period-allocated arrangement costs for bank loans.

SEK m	2019	2018
<b>CURRENT LIABILITIES</b>		
Current part of bank loans	0.0	73.6
Cash credit	0.0	57.4
Lease liabilities	44.2	0.0
<b>Total</b>	<b>44.2</b>	<b>131.0</b>

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

SEK m	2019	2018
Interest-bearing liabilities	547.3	360.3
Other financial liabilities	44.9	56.3
<b>Loans and borrowings, 1 January</b>	<b>592.2</b>	<b>416.6</b>
Assumed loans and borrowings in acquired companies	54.9	0.0
Proceeds from loans and borrowings	370.5	259.3
Repayment of loans and borrowings	-340.2	-95.0
Lease liabilities	159.6	0.0
Fair value adjustment of put options and additional purchase price liabilities	6.6	10.0
Period-allocated arrangement costs for bank loans	2.3	1.1
Exchange-rate differences	15.8	0.2
<b>Loans and borrowings, 31 December</b>	<b>861.7</b>	<b>592.2</b>
whereof:		
Interest-bearing liabilities	806.9	547.3
Other financial liabilities	54.9	44.9

#### NOTE 32 OTHER NON-CURRENT LIABILITIES

##### ACCOUNTING POLICIES

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

SEK m	2019	2018
Long-term call/put option liabilities	34.3	32.3
Long-term additional purchase price liabilities	3.5	4.6
Other liabilities	5.4	1.2
<b>Total</b>	<b>43.2</b>	<b>38.1</b>

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

## NOTE 33 FINANCIAL INSTRUMENTS

### ACCOUNTING POLICIES

#### Financial instruments

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

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

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

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

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

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

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

Derivatives are initially recognized at cost and subsequently at fair value. Both realised and unrealised gains and losses are recognized in the income statement unless the derivatives are part of the hedging of future transactions. Value adjustments

of derivatives for hedging of future transactions are recognized directly in other comprehensive income. As hedged transactions are realised, gains or losses are recognized in the hedging instrument from other comprehensive income in the same item as the hedged items. Any non-effective part of the financial instrument in question is recognized in the income statement.

Derivatives are recognized under other receivables or other payables.

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

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

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

#### Loans and receivables

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

#### Other financial liabilities

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

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

#### Derivatives and hedging activities

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

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

- hedges of a net investment in a foreign operation (net investment hedges).

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

#### Cash flow hedge

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

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast purchase that is hedged takes place). The gain or loss relating to the effective portion of forward contracts hedging prices of raw materials is recognized in profit or loss within cost of goods sold.

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

#### Net investment hedges

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

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

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

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

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

SEK m	Financial assets at fair value through profit or loss	
	2019	2018
<b>FINANCIAL ASSETS AT FAIR VALUE</b>		
<b>Other current receivables</b>		
Commodity derivatives	3.3	3.2
<b>Total financial assets at fair value</b>	<b>3.3</b>	<b>3.2</b>

SEK m	Financial assets at amortized cost	
	2019	2018
<b>FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE</b>		
Non-current receivables from associated companies		
Other non-current receivables	8.8	6.7
Current receivables from associated companies		
Receivables for on-going construction contracts	21.4	16.3
Other current receivables	8.5	10.9
Current tax assets	51.5	54.3
Accounts receivable	12.9	12.4
	1.5	2.4
	265.0	250.6
<b>Total financial assets not measured at fair value</b>	<b>369.6</b>	<b>353.6</b>
<b>Total financial assets</b>	<b>372.8</b>	<b>356.8</b>

SEK m	Financial liabilities at fair value through profit or loss	
	2019	2018
<b>FINANCIAL LIABILITIES AT FAIR VALUE</b>		
<b>Other non-current liabilities</b>		
Long-term call/put option liabilities	34.3	32.3
Long-term additional purchase price liabilities	3.5	4.6
<b>Other current liabilities</b>		
Short-term vendor note and additional purchase price liabilities	11.6	5.7
<b>Total financial liabilities at fair value</b>	<b>49.4</b>	<b>42.6</b>

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

The increase in short-term liabilities is mainly related to the vendor note and earn-out liability regarding the acquisition of Distri Pond in 2019.

SEK m	Financial liabilities at amortized cost	
	2019	2018
<b>FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE</b>		
Non-current interest-bearing liabilities		
Current interest-bearing liabilities	762.7	416.3
Payables for on-going construction contracts	44.2	131.0
Trade payables	20.3	15.5
Other current liabilities	130.1	129.2
Accrued interest expenses	39.4	40.3
	1.9	1.4
<b>Total financial liabilities not measured at fair value</b>	<b>998.6</b>	<b>733.7</b>
<b>Total financial liabilities</b>	<b>1,048.0</b>	<b>776.3</b>

Financial instruments measured at fair value in the balance sheet consist of financial derivatives used to hedge the price risk arising from highly probable future purchases of bitumen products as well as contingent consideration and call/put options. These are recognized in the balance sheet items Other receivables and Other liabilities.

In general, the carrying amounts of financial instruments measured at amortised costs are a reasonable approximation of their fair values. Long-term financial liabilities and receivables have floating interest rates which are repriced on a frequent basis.

### FAIR VALUE HIERARCHY

The Group has commodity derivatives classified as level 2 in the fair value hierarchy whereas contingent consideration and options are classified as level 3. The Group has no level 1 instruments.

The classification in the hierarchy depends on the degree to which the fair value is observable. Level 2 measurements are those derived from inputs other than quoted prices included within level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 measurements are those derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Financial instruments measured at level 3 per 31 December:

SEK m	2019	2018
Opening balance	42.6	53.9
Fair value movement in income statement	1.8	8.9
Purchases	11.5	2.3
Paid	-6.8	-22.3
Exchange-rate differences	0.4	0.2
<b>Closing balance</b>	<b>49.4</b>	<b>42.6</b>

### VALUATION METHODS AND TECHNIQUES

#### Commodity derivatives

Future cash flows are estimated based on forward prices (from observable forward prices at the end of the reporting period) discounted at a rate that reflects the credit risk of various counterparties.

#### Contingent considerations

The fair value of the contingent consideration is based on probability weighted payments discounted at its present value. Material non-observable input comprise:

- 4 percent of estimated gross profit for the period up until 2021,
- 0.5-1.5 percent of estimated net sales related to royalty payments for the period up until 2034,
- EBITDA for 2019, and
- a discount rate of 10 percent.

The estimated fair value increases the higher the growth in gross profit, net sales and EBITDA and a lower discount rate. A 2% increase (decrease) in the discount rate would not have any significant impact on the fair value of the contingent considerations.

**Call/put options**

The fair value of options is based on probability weighted payments discounted at its present value. Material non-observable input comprise:

- growth in EBIT or EBITDA up until 2024, and
- a discount rate of 8 percent.

The estimated fair value increases the higher the growth in EBIT, EBITDA and lower discount rate. A 2% increase (decrease) in the discount rate would not have any significant impact on the fair value of the call/put options.

**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 with 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: raw material price risk, liquidity and financing risk, interest rate risk, currency risk and credit risk.

Speculation in financial instruments and risks are not allowed at any point.

**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 2019, these materials accounted for 54 percent (58) of the Group's total raw materials costs. The largest exposure is in bitumen where the price is the most volatile in the short term.

**Risk management**

As stated in the risk management policies the price risk must at any point in time be monitored and Nordic Waterproofing seeks to reduce price risk by entering into fixed price contracts or using hedging instruments. Bitumen can be hedged for the coming 24 months, and within this period, the CEO has the possibility to hedge between 0 and 100 % of the expected forecast purchases of raw materials. Hedge agreements exceeding 6 months require approval from the Chairman of the Board.

As at 31 December 2019, the expected purchases of bitumen for delivery during the first and fourth quarter in 2020 amounted to 15,400 tons or approximately 39 percent of the expected annual purchasing volume. This volume has been hedged using derivatives. At the same period per 31 December 2018, the amount was 30,480 tons (approximately 76 percent of the expected annual purchasing volume).

**Sensitivity analysis, bitumen price**

A 10 percent decrease/increase in the price of bitumen would have impacted the statement of profit and loss in an amount of SEK +/- 19.3 m (18.0) without taking into consideration the effect of fair value changes on any outstanding bitumen derivative contracts. Expressed as changes in the underlying Brent price, a 10 USD per barrel decrease/increase would have impacted the statement of profit and loss by approximately SEK +/- 20.5 m (19.2).

A 10 percent decrease/increase in the price of bitumen would have impacted the fair value of outstanding derivative instruments with an amount of SEK +/- 7.6 m (7.5), which would have affected other comprehensive income for 2019. The sensitivities are based on recognized bitumen derivatives as per 31 December.

**Hedge accounting (cash flow hedging)**

As mentioned above, the group has entered into commodity price derivatives in order to hedge the price fluctuations related to the expected purchase of bitumen for the coming 12 months. Thus, the derivatives impact consolidated income statement during 2020 once they are settled and given no ineffectiveness is recognised. The derivatives have an underlying price reference to Brent (previous year HSFO) which have a high correlation to bitumen.

During the year, ineffectiveness recognised in the consolidated income statement amounted to SEK 0.0 m (0.0). Potential sources to ineffectiveness primarily relate to differences in timing of payment of the physical delivery and settlement of the derivative.

The fair value movement recognized in other comprehensive income used in the effectiveness test is SEK 0.1 m (3.2).

Movements in other comprehensive income related to the hedging reserve are as follow:

SEK m	2019	2018
Opening balance	2.5	0.0
Fair value movement	0.1	3.2
Tax movements	0.0	-0.7
<b>Closing balance</b>	<b>2.6</b>	<b>2.5</b>

**LIQUIDITY AND FINANCING RISK**

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

Nordic Waterproofing's principal external financing agreement is valid until June 2021. On 31 December 2019, the Group's non-current interest-bearing liabilities is comprised by a EUR 73.0 m (37.5) term loan facility. The loan facility bears variable interest and runs without requiring repayment in instalments.

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

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

With the aim of managing the liquidity risk, the finance policy prescribes that the Group shall have a liquidity reserve consisting of cash and bank balances, current investments and unutilised credit facilities of at least SEK 40.0 m. If the liquidity reserve falls below, or is expected to fall below, this amount the Board shall be informed. At the reporting date, cash and cash equivalents amounted to SEK 196.9 m (105.6). No portion, SEK 0.0 m (57.4), of the Group's total credit facilities in the form of overdraft facilities of EUR 14.4 m (14.4), corresponding to SEK 150.2 m (148.0), was utilized at the end of 2019.

The table on page 79 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.

**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 or STIBOR 3M plus a margin.

**Sensitivity analysis, interest rate risk**

The sensitivities are based on recognized financial assets and liabilities as per 31 December and do not take repayments or new financing activities during the year into consideration.

An increase/decrease of EURIBOR 3M or STIBOR 3M by 100 interest rate points would have increased/decreased the Group's annual interest expenses and affecting equity by approximately SEK 5.0 m (3.8) based on the size of the bank loans and finance lease liabilities less bank balances at the reporting date.

**CURRENCY RISK**

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

**Transaction exposure**

Transaction exposure is the risk of a negative impact on the consolidated profit due to changes in exchange rates that affect the value of a commercial transaction in a foreign currency relative to the functional currency for the Group company making the transaction. The Group has significant cash flows in foreign currencies (DKK, EUR, NOK and USD) that arise in the ordinary course of the Group's business. However, inflows and outflows of those foreign currencies are naturally offset and any net transaction exposure is therefore considered insignificant. Accordingly, no hedging is applied.

2019 SEK m	Nominal amounts	Contractual payments of capital amounts and interest				
		Jan-Jun 2020	Jul-Dec 2020	2021	2022 to 2025	After 2025
<b>INTEREST-BEARING LIABILITIES</b>						
<b>Non-current interest-bearing liabilities</b>						
Bank loans – term loan facility	644.1	–	–	644.1	–	–
Bank loans – revolving loan facility	46.5	–	–	46.5	–	–
Bank loans - other	6.5	–	–	6.5	–	–
Lease liabilities	65.6	–	–	38.4	27.2	–
<b>Current interest-bearing liabilities</b>						
Lease liabilities	44.2	22.1	22.1	–	–	–
Interest	26.2	6.6	6.6	13.1	–	–
<b>NON-INTEREST-BEARING LIABILITIES</b>						
<b>Non-current non-interest-bearing liabilities</b>						
Long-term call/put option liabilities	34.3	–	–	25.0	9.3	–
Long-term additional purchase price liabilities	3.5	–	–	–	3.5	–
Other long-term liabilities	5.4	–	–	3.5	1.9	–
<b>Current non-interest-bearing liabilities</b>						
Short-term vendor note and additional purchase price liabilities	11.6	11.6	–	–	–	–
Trade payables	130.1	130.1	–	–	–	–
Accrued interest expenses	3.2	3.2	–	–	–	–
Other current liabilities	1.1	–	1.1	–	–	–
<b>Total</b>	<b>1,022.3</b>	<b>173.6</b>	<b>29.8</b>	<b>777.1</b>	<b>41.9</b>	<b>0.0</b>
Less bank balances	-196.9	-196.9	–	–	–	–
<b>Net</b>	<b>825.4</b>	<b>-23.3</b>	<b>29.8</b>	<b>777.1</b>	<b>41.9</b>	<b>0.0</b>

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

### 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 currencies for these subsidiaries are EUR, DKK and NOK.

A strengthened SEK compared to EUR, DKK and NOK will lead to negative translation differences and a weakened SEK will lead to positive translation differences. In accordance with the accounting policies these translation differences are recognized in other comprehensive income and accumulated in a special reserve, called a translation reserve. In 2019, the translation differences amounted to SEK 12.8 m (32.4).

At the reporting date, the accumulated translation differences after tax recognized in the translation reserve amounted to SEK 19.8 m (36.3).

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

### Sensitivity analysis, currency risk

The sensitivities are based on recognized financial assets and liabilities as per 31 December. The Group has a significant exposure in DKK, EUR and NOK against SEK, of which the exposure in EUR is the most significant. The Group's exposure in EUR against SEK is affected by part of the Group's bank loans being raised in EUR. A 10 percent strengthening/weakening of the EUR against the SEK would have affected the Group's net financial items and affecting equity by SEK +/- 3.6 m (3.9), 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 +/- 37.4 m (16.3).

A 10 percent strengthening/weakening of the DKK against the SEK would have affected the Group's net financial items and affecting equity by SEK +/- 3.3 m (3.3), given the cash holdings on the reporting date, and other comprehensive income would have been affected by translation differences of SEK +/- 38.8 m (39.8).

A 10 percent strengthening/weakening of the NOK against the SEK would have affected the Group's net financial items and affecting equity by SEK +/- 0.8 m (1.2), given the cash holdings on the reporting date, and other comprehensive income would have been affected by translation differences of SEK +/- 0.4 m (1.8).

### 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 2019, no single customer accounted for more than 2.0 percent (2.8) of consolidated sales, and the five largest customers accounted for 8.3 percent (13.0) of consolidated sales.

On the reporting date, there is no significant concentration of credit exposure. The maximum credit risk exposure is apparent from the carrying amount for receivables in the statement of financial position.

The commercial credit risk is presented in Note 21.

#### Financial credit risk

The financial activities in the Group entail an exposure to credit risks. The Group's exposure to financial credit risk is primarily comprised of receivables from banks in the form of bank balances. In addition to this, exposure arises through receivables from counter-parties linked to positive market values on derivative contracts entered into.

## NOTE 35 CONTINGENT LIABILITIES

### ACCOUNTING POLICIES

A contingent liability is disclosed when there is a possible commitment that originates from events occurred and the existence of which is confirmed only by one or more uncertain future events beyond the Group's control, or when there is a commitment that is not recognized as a liability or provision on the grounds that it is not likely that an outflow of resources will be required or cannot be calculated with sufficient reliability.

SEK m	2019	2018
<b>CONTINGENT LIABILITIES</b>		
Guarantees for the benefit of subsidiaries	95.9	116.8
Guarantees for the benefit of associated companies	49.0	44.4
<b>Total contingent liabilities</b>	<b>144.9</b>	<b>161.2</b>

Security in the form of guarantee commitments has been made for the benefit of Group companies' completion guarantees for contractor projects of SEK 95.9 m (116.8) at the reporting date.

A security in total of DKK 20.1 m (17.3) (corresponding to SEK 28.1 m (23.8) at the reporting date) has been made for the benefit of the Danish associated companies' credit commitments. These guarantees are, however, limited per company and amount to a maximum of DKK 3.0 m (2.5) (corresponding to SEK 4.2 m (3.4)) for an individual associated company. In addition to this, Group companies have guaranteed completion guarantees regarding associated companies' project corresponding to a maximum of DKK 15.0 m (15.0) (corresponding to SEK 21.0 m (20.6) at the reporting date).

On 31 May 2017, the Danish Competition Council decided that Nordic Waterproofing A/S, Icopal Danmark ApS, Danske Tagpapfabrikanterers Brancheforening and TOR had violated the Danish Competition Act. The alleged violation consisted in a so-called restrictive agreement in the form of an industry standard, "TOR-anvisningerne", and the associated approval scheme, "TOR Godkendt".

Nordic Waterproofing A/S and the other parties disputed the Council's decision and brought the case before the Danish Competition Appeals Board. On 12 September 2018, the Appeals Board decided to remit the case to the Council for re-evaluation. According to the Appeals Board, the Council had failed to demonstrate with the requisite certainty that Nordic Waterproofing A/S and the other parties had violated the Danish Competition Act. In addition, the Appeals Board stated that technical standards normally have positive economic effects.

The Competition Council has still not decided whether the case will be re-opened or finally closed. If the Council decides to re-open the case, the entire administrative process has to be repeated before a new decision can be made by the Council, which would be subject to a new appeal to the Appeals Board and, in turn, to the courts. Accordingly, at present, it is not possible to predict if the case will be re-opened or, in that case, what the final outcome would be. In the event that the Competition Council decides to finally close the case, Nordic Waterproofing A/S will not be ordered to pay a fine.



The initial decision by the Competition Council has resulted in two civil law proceedings raising claims (in solidum) totaling DKK 136.3 m. However, both proceedings have been suspended to await the Council's decision as to whether the case is being re-opened or finally closed. Since it is the Council's initial decision, which forms the basis of the civil law proceedings, the Council's choice is expected to determine whether the civil law proceedings will be continued or discontinued.

In the light of the Appeal Board's decision to remit the case to the Competition Council, it may be concluded that even though the civil proceedings are still pending, there are at present no substantive basis for the claims made. Additionally, it should be noted that Nordic Waterproofing A/S does not consider the claims raised substantiated and justified.

### NOTE 36 AUDIT FEES AND EXPENSES

SEK m	2019		2018	
	Deloitte	PwC	Other	Other
Statutory audit	3.1	2.5		
Other assurance services	0.3	0.3		
Tax consulting	0.1	0.8		
Other services	0.1	3.4		
<b>Total</b>	<b>3.6</b>	<b>7.0</b>		
Statutory audit	0.5	0.3		
Tax consulting	0.0	0.0		
Other services	0.1	0.0		
<b>Total</b>	<b>0.6</b>	<b>0.3</b>		

Non-statutory services delivered in 2018, by the Group's Danish auditors, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, are included in the table above and amount to SEK 1.0 m consisting of review of quarterly report, accounting advice related to acquisitions and general accounting advice.

### NOTE 37 STATEMENT OF CASH FLOWS

#### ACCOUNTING POLICIES

The statement of cash flows shows how income and changes in balance sheet items affect cash and cash equivalents, i.e. the cash generated or used in the period.

Cash from operating activities converts income statement items from the accrual basis of accounting to cash basis. As such, starting with operating profit/loss, non-cash items are reversed and actual payments included. Further, change in working capital is taken into account as this shows the development in money tied up in the balance sheet.

Cash from investing activities shows payments related to the purchase and sale of long-term investments. This includes fixed assets such as purchase and construction of new production sites, intangible assets and financial assets.

Cash from financing activities reports repayment of loans, finance leases, and payment of dividends.

Cash and cash equivalents consist of cash and bank balances.

The statement of cash flows is presented in accordance with the indirect method commencing with operating profit/loss for the year.

Cash flows in foreign currencies are translated to SEK at the average exchange rate for the respective month.

Cash and cash equivalents	2019	2018
SEK m		
<b>The following subcomponents are included in cash and cash equivalents:</b>		
Cash and bank balances	196.9	105.6
<b>Total as per statement of financial position</b>	<b>196.9</b>	<b>105.6</b>
<b>Total as per statement of cash flows</b>	<b>196.9</b>	<b>105.6</b>

Adjustment for non-cash items	2019	2018
SEK m		
Depreciation/amortization	112.7	62.3
Participations in associated company earnings	-24.2	-21.1
Reversed impairment losses	0.0	0.0
Exchange-rate differences	4.6	6.2
Other items	-3.4	-8.5
<b>Total</b>	<b>89.7</b>	<b>38.9</b>

### NOTE 38 EVENTS AFTER THE REPORTING DATE

Nordic Waterproofing has the construction industry as its primary customer group. Sales are primarily affected by the activity in Northern Europe, with emphasis on the Nordic countries representing 84 percent of the Group's external sales in 2019. Nordic Waterproofing's assessment is that the business as per end-March has not experienced any material negative impact related to the outbreak of Covid-19. The impact during the rest of the year, given the uncertain situation, is difficult to estimate but will likely have a dampening effect on sales if the pace of construction is slowing down as stricter measures are taken. It is difficult to estimate the extent to which Nordic Waterproofing will be affected in the future as we do not know how long each country's efforts will last. When setting the expectations for 2020, Nordic Waterproofing expected an operating profit (EBIT) in line with 2019, assuming comparable winter conditions during the fourth quarter. As the potential impact of Covid-19, as described above is unknown at this time, it is currently not possible to provide further guidance.

The Annual General Meeting of Nordic Waterproofing Holding A/S, originally planned to take place on Wednesday, 29 April, has been postponed due to the Covid-19 situation.

## PARENT COMPANY STATEMENT OF PROFIT OR LOSS

SEK m	Note	2019	2018
Net sales		6.2	6.1
Administrative expenses		-21.7	-20.1
<b>Operating profit/loss</b>		<b>-15.5</b>	<b>-14.0</b>
Financial income – dividend received from subsidiaries		104.9	104.5
Financial expenses		-0.4	-0.1
<b>Net finance items</b>		<b>104.5</b>	<b>104.4</b>
<b>Profit before tax</b>		<b>89.0</b>	<b>90.4</b>
Tax	2	3.5	3.1
<b>Profit for the year</b>		<b>92.5</b>	<b>93.5</b>

Proposed distribution of profit, see Note 6

## PARENT COMPANY STATEMENT OF FINANCIAL POSITION

SEK m	Note	2019	2018
<b>ASSETS</b>			
Investments in subsidiaries	3	472.8	472.8
<b>Total non-current assets</b>		<b>472.8</b>	<b>472.8</b>
Other current receivables from Group companies		6.8	6.7
Current tax assets		9.2	8.5
Cash and cash equivalents		18.4	33.6
<b>Total current assets</b>		<b>34.4</b>	<b>48.8</b>
<b>Total assets</b>		<b>507.2</b>	<b>521.6</b>
<b>EQUITY</b>			
Share capital		30.0	30.0
Treasury shares		-15.6	-0.8
Retained earnings including profit for the year		373.1	385.5
Proposed dividend for the financial year		107.5	96.3
<b>Total equity</b>	<b>5</b>	<b>495.0</b>	<b>511.0</b>
<b>LIABILITIES</b>			
Trade payables		0.4	0.5
Accrued expenses		6.0	4.4
Other non-interest bearing liabilities		0.7	1.9
Other current liabilities to Group companies		5.1	3.8
<b>Total current liabilities</b>		<b>12.2</b>	<b>10.6</b>
<b>Total liabilities</b>		<b>12.2</b>	<b>10.6</b>
<b>Total equity and liabilities</b>		<b>507.2</b>	<b>521.6</b>

Information on the Parent Company's contingent liabilities, see Note 7.

Information on the fees paid to the auditors, see Note 8.

Information on subsequent events, see Note 9.

Information on remuneration of the Executive Board and Board of Directors, see Note 7 in the Consolidated financial statements.

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK m	Share capital	Treasury shares	Dividend	Retained earnings	Total
<b>Equity as at 1 January 2019</b>	<b>30.0</b>	<b>-0.8</b>	<b>96.3</b>	<b>385.5</b>	<b>511.0</b>
Paid dividend	-	-	-96.3	-	-96.3
Repurchased own shares	-	-14.8	-	-	-14.8
Profit/loss for the financial year	-	-	-	92.5	92.5
Proposed dividend for the financial year	-	-	107.5	-107.5	0.0
Exchange differences for the year in translation of foreign operations	-	-	-	2.6	2.6
<b>Equity as at 31 December 2019</b>	<b>30.0</b>	<b>-15.6</b>	<b>107.5</b>	<b>373.1</b>	<b>495.0</b>

SEK m	Share capital	Treasury shares	Dividend	Retained earnings	Total
<b>Equity as at 1 January 2018</b>	<b>30.0</b>	<b>0.0</b>	<b>90.3</b>	<b>386.9</b>	<b>507.2</b>
Paid dividend	-	-	-90.3	-	-90.3
Repurchased own shares	-	-0.8	-	-	-0.8
Profit/loss for the financial year	-	-	-	93.5	93.5
Proposed dividend for the financial year	-	-	96.3	-96.3	0.0
Exchange differences for the year in translation of foreign operations	-	-	-	1.4	1.4
<b>Equity as at 31 December 2018</b>	<b>30.0</b>	<b>-0.8</b>	<b>96.3</b>	<b>385.5</b>	<b>511.0</b>

**NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES**

The accounting principles are unchanged compared with last year.

The Parent Company's financial statements are prepared according to the Danish Financial Statements Act applying to entities in reporting class D-enterprises.

The parent company is considered to have Swedish kronor as its functional currency which is also the presentation currency. This assessment is based on the main investment is in a Swedish entity and the main income in form of dividend is also received in SEK. Previously the parent company assessed that DKK was the functional currency. The 2018 figures have been restated to reflect this change. The effect on equity as of 1 January 2019 is a reduction amounting to SEK 71.8 m whereas the equity at 1 January 2018 is reduced by SEK 50.8 m. The Group figures have not been affected by this change.

Investments in subsidiaries are measured at cost.

Nordic Waterproofing Holding A/S applies an exemption whereby the Parent Company is not required to prepare a separate cash flow statement. See the consolidated cash flow statement for the Group.

For other accounting principles refer to Note 1 and to the accounting policies in the notes for the consolidated financial statements.

**NOTE 2 TAXES**

SEK m	2019	2018
<b>CURRENT TAX EXPENSE (-) / TAX REVENUE (+)</b>		
Tax expense for the period	3.5	3.1
Adjustment of tax attributable to earlier years	0.0	0.0
	<b>3.5</b>	<b>3.1</b>
<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
	<b>0.0</b>	<b>0.0</b>
<b>Total reported tax expense</b>	<b>3.5</b>	<b>3.1</b>

**NOTE 3 INVESTMENTS IN SUBSIDIARIES**

SEK m	2019	2018
<b>ACCUMULATED COST</b>		
Opening balance, 1 January	472.8	472.8
<b>Closing balance, 31 December</b>	<b>472.8</b>	<b>472.8</b>

**HOLDINGS IN SUBSIDIARIES**

Refer to Note 13 in the notes for the consolidated financial statements.

Dividends received from subsidiaries are recognized as financial income in the profit and loss statement.

Nordic Waterproofing Holding A/S holds 100 percent of the shares in Nordic Waterproofing Group 1 AB, which had a result for 2019 of SEK 93.4 m (84.4) and a shareholders equity at 31 December 2019 of SEK 644.5 m (656.1).

**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, Denmark.

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 Rönnowsgatan 12, 252 25 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:

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

**NOTE 5 EQUITY**

	2019	2018
<b>Stated in number of shares</b>		
Issued as at 1 January	24,083,935	24,083,935
<b>Issued as at 31 December – paid</b>	<b>24,083,935</b>	<b>24,083,935</b>
<b>Number of shares by class:</b>		
Class A shares	24,083,935	24,083,935
<b>Total</b>	<b>24,083,935</b>	<b>24,083,935</b>

All shares have a quotient value of DKK 1.00 (1.00).

Holders of ordinary shares are entitled to dividends determined in arrears and the shareholding entitles to voting rights at the General Meeting with one vote per share.

**NOTE 6 PROPOSED DISTRIBUTION OF PROFIT**

SEK m	2019	2018
Proposed dividends	107.5	96.3
Retained earnings	-15.0	-2.8
<b>Total</b>	<b>92.5</b>	<b>93.5</b>

**NOTE 7 CONTINGENT LIABILITIES****CONTINGENT LIABILITIES**

The Parent Company is jointly liable, together with the other Danish group companies, for tax payments relating to the jointly taxed income as well as other Danish withholding taxes in the form of tax on dividends, royalty and interest. Nordic Waterproofing Holding A/S is the administration company in relation to the joint taxation.

**NOTE 8 AUDIT FEES AND EXPENSES**

SEK m	2019	2018
	<b>Deloitte</b>	<b>PwC</b>
Statutory audit	0.2	0.5
Other assurance services	0.3	0.3
Tax consulting	0.0	0.0
Other services	0.1	0.7
<b>Total</b>	<b>0.6</b>	<b>1.5</b>

**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 2019.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been

prepared in accordance with the Danish disclosure requirements for listed companies.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2019 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 2019.

In our opinion, Management's Review gives a true and fair statement of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Vejen, April 2, 2020

EXECUTIVE BOARD

Martin Ellis  
*President and CEO*

THE BOARD OF DIRECTORS

Ulf Gundemark  
*Chairman*

Mats O. Paulsson

Riitta Palomäki

Allan Lindhard Jørgensen

Steffen Martin Baungaard

Kristina Willgård

# INDEPENDENT AUDITOR'S REPORT

To the shareholders of Nordic Waterproofing Holding A/S

## OPINION

We have audited the consolidated financial statements and the parent financial statements of Nordic Waterproofing A/S for the financial year 1 January - 31 December 2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2019 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2019 and of the results of its operations for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

## BASIS FOR OPINION

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

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 24 April 2019.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January - 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements and the parent 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

#### Carrying value of goodwill and other intangible assets

At 31 December 2019, the Group has intangible assets of SEK 1,085 m [975] comprising primarily goodwill of SEK 952 m [879].

The carrying value of goodwill and other intangible assets relies on the discounted expected future cash flows (value in use) which are complex to determine and require significant judgment and estimation by Management. The estimates used for impairment evaluation include determination of market and sales potential, profit margins and discount rate assumptions. There is a risk that the assets will be impaired if these future cash flows deviate negatively from the Group's expectations. We refer to Notes 3 and 17 in the consolidated financial statements.

**How the matter was addressed in our audit**

We have evaluated and tested the appropriateness of the Group's processes for evaluating intangible assets impairments. We obtained the Group's impairment tests and assessed Management's assumptions, including Management's defined cash-generating units (CGUs) within the business and an assessment of market potential and thereby assessment of future sales and earnings possibilities. We assessed:

- The impairment models applied to evaluate consistency with previous years
- The forecast of future cash flows by discussing it with Management and key employees
- Discount rates by testing the Group's weighted average cost of capital (WACC)
- The adjustments for risk factors included in the impairment models

We consulted with subject matter experts regarding the valuation methodologies applied and Management's assumptions.

We obtained and evaluated Management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions. We also evaluated the impairment testing disclosures.

**Contingent liabilities**

On 31 May 2017 the Danish Competition Council decided that Nordic Waterproofing A/S, Icopal Danmark A/S, Danske Tagpapfabrikanter Brancheforening and TOR had violated the Danish Competition Act. Nordic Waterproofing A/S and the other parties disputed the Council's decision and brought the case before the Danish Competition Appeals Board.

On 12 September 2018, the Appeals Board decided to remit the case to the Council for re-evaluation. The Competition Council has still not decided whether the case will be re-opened or finally closed. According, at present, it is not possible to predict if the case will be re-opened or, in that case, what the final outcome will be.

The initial decision by the Competition Council has resulted in two civil law proceedings raising claims. However, both proceedings have been suspended to await the Council's decision. The outcome of the case cannot be predicted with certainty, but a decision that goes against the company's expectations could have an adverse effect on the consolidated financial position and results of operations and cash flows.

We refer to notes 3 and 35 in the consolidated financial statements.

**How the matter was addressed in our audit**

We focused on this area, because of the significant level of judgement and uncertainty related to this contingent liability.

We inquired with both Management and financial staff in respect of the potential risks related to the competition case, inspected relevant correspondence, inspected the minutes of the meetings of the Audit Committee and Board of Directors, requested external legal confirmation letter and obtained a representation letter from the Management.

We assessed the disclosure regarding contingent liabilities and used professional skepticism by challenging Management's judgement comparing responses to our inquiries with relevant correspondence, other audit evidence obtained and our general knowledge of the Group and its activities.

**STATEMENT ON MANAGEMENT'S REVIEW**

Management is responsible for the management review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management review.

**MANAGEMENT'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT 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 additional requirements of the Danish Financial Statements Act as well as the preparation of parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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'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 in preparing the consolidated financial statements and the parent financial statements, 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'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 consolidated financial statements and the parent 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 and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- 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 consolidated financial statements and the parent 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.

Copenhagen, April 2, 2020

#### Deloitte

Statsautoriseret Revisionspartnerselskab  
Business registration No 33 96 35 56

Nikolaj Thomsen  
State Authorised  
Public Accountant  
mne33276

Henrik Wolff Mikkelsen  
State Authorised  
Public Accountant  
mne33747



# FINANCIAL DEFINITIONS

## KEY PERFORMANCE INDICATOR ACCORDING TO IFRS

### Earnings per share

Profit after tax for the period attributable to Parent Company shareholders divided by the average number of outstanding shares for the period.

## KEY PERFORMANCE INDICATORS NOT DEFINED ACCORDING TO IFRS

### Capital employed

Total assets less non-interestbearing provisions and liabilities.

### EBIT

Operating profit.

### EBIT margin

EBIT as a percentage of net sales.

### EBITDA

Operating profit before depreciation, amortization and impairment of tangible and intangible assets.

### EBITDA margin

Operating profit before depreciation, amortization and impairment of tangible and intangible assets as a percentage of net sales.

### Equity/assets ratio

Shareholders' equity, including non-controlling interests, as a percentage of total assets.

### FTE

Full Time Equivalent.

### Gross margin

Gross profit as a percentage of net sales.

### Interest cover ratio

Profit after net financial items plus interest expenses in relation to interest expenses.

### Net debt

Interest-bearing liabilities less cash and cash equivalents.

### Net debt/EBITDA (Leverage)

Net debt in relation to EBITDA.

### Net debt/equity ratio

Net debt in relation to shareholders equity.

### Operating cash conversion

Operating cash flow as a percentage of EBITDA for the period.

### Operating cash flow

EBITDA plus dividends from associated companies, less cash flow related from investments intangible and intangible assets, cash flow from changes in working capital and income from associated companies.

### Organic growth

Net sales growth adjusted for enterprises acquired and sold off and any exchange rate changes. No adjustments have been made for number of working days.

### R12

The last recent twelve months/rolling twelve-month period.

### Return on capital employed

EBIT as a percentage of average capital employed, calculated as the average of the period's opening and closing balances.

### Return on capital employed excluding goodwill

Operating profit (EBIT) 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.

# GLOSSARY

## BIM (Building Information Modeling)

BIM is a process of creating and using an intelligent 3D model to inform and convey project decisions. BIM solutions can project, visualize, simulate and collaborate, resulting in greater clarity for all stakeholders throughout the life cycle of the project. BIM makes it easier to achieve project and business goals.

## Bitumen

Bitumen, also known as asphalt, is a sticky, black and highly viscous liquid or semi-solid

form of petroleum which constitutes the waterproofing component in roof felt.

## EPDM

EPDM rubber (ethylene propylene diene monomer M-class rubber) a type of synthetic rubber, is an elastomer characterized by a wide range of applications.

## Flat roof

Roofing with a gradient of less than approximately 14°.

## FTE

Full Time Equivalent.

## Pitched-roof

Roofing with a gradient of more than approximately 14°.

## PVC

Polyvinyl chloride is the world's third-most widely produced synthetic plastic polymer, after polyethylene and polypropylene. PVC comes in two basic forms: rigid (sometimes abbreviated as RPVC) and flexible.

## SBS

Styrene-Butadiene-Styrene, an elastomeric compound which is added to bitumen to increase the flow characteristics and improves

the low-temperature flexibility and fatigue resistance of roof felt.

## TPO

Thermoplastic olefin (TPO), or olefinic thermoplastic elastomers refer to polymer/filler blends usually consisting of some fraction of a thermoplastic, an elastomer or rubber, and a filler.

# NORDIC WATERPROOFING ON THE INTERNET, IN YOUR MOBILE AND ON YOUR TABLET

Keep track of Nordic Waterproofing's performance via the Group's website at [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com).

## ANNUAL REPORT

Nordic Waterproofing only distributes a paper version of the Annual Report to those who have specifically requested a copy. If you wish to receive a paper copy of the Annual Report, it can be ordered on the company's website.

## NEWS ABOUT PRODUCTS AND SOLUTIONS

At [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com) you can follow the development and successes of the various products and solutions that we offer our customers.

## SUBSCRIBE TO INFORMATION

Via e-mail, you can choose to subscribe to our financial reports, press releases and share information.

Nordic Waterproofing Holding A/S is a Danish public limited liability company domiciled in Vejen, Denmark. Corporate registration number: 33395361. LEI code: 549300EJEXC4KOSUI651. 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. For environmental reasons, Nordic Waterproofing does not print the 2019 Annual Report. The Annual Report is available in its entirety at the company's website [www.nordicwaterproofing.com](http://www.nordicwaterproofing.com). The 2019 Annual Report was published in April 2020.

## 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 2020

Postponed/TBD	Annual General Meeting
May 4	Interim Report, January–March 2020
July 24	Interim Report, January–June 2020
November 3	Interim Report, January–September 2020

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, 2018.

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 Stakeholder communication (contents) and Carlund & Co (graphic production), Sweden.

## INFORMATION ABOUT ANNUAL GENERAL MEETING 2020

The Annual General Meeting of Nordic Waterproofing Holding A/S, originally planned to take place on Wednesday, 29 April, has been postponed due to the Covid-19 situation.

Notification to attend the Annual General Meeting  
The complete notification convening the Annual General Meeting will be available on the company's website [www.nordicwaterproofing.com/en/shareholder-meetings/](http://www.nordicwaterproofing.com/en/shareholder-meetings/).

To participate in the meeting and to be able to exercise their voting rights, shareholders must be included in the share register maintained by VP Securities A/S by Wednesday, seven days at the latest prior to the Annual General Meeting, and notify the company of their intention to participate by the same day.

Shareholders who have registered their shares with a trustee must have temporarily registered their shares in their own name seven days prior to the Annual General Meeting.

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

## PROPOSALS TO ANNUAL GENERAL MEETING 2020

The Board of Directors and the CEO propose that shareholders be paid a cash dividend of SEK 4.50 per share [4.00]. Given the uncertainty as a result of the spread of Covid-19, the Board will further analyse the situation before evaluating the final dividend proposal.

Nordic Waterproofing is one of the leading providers in the waterproofing market in northern Europe. The Company provides high-quality products and solutions for waterproofing in Sweden, Finland, Denmark, Norway, Belgium, the Netherlands, Poland, the United Kingdom, Germany and Latvia. Nordic Waterproofing also provides installation services through wholly-owned subsidiaries in Finland and through part-owned franchise companies in Denmark. The Company markets its products and solutions under several brands, all with an extensive heritage, most of which are among the most established and well-recognized brands in waterproofing in their respective markets, such as Matak, Trebolit, Phønix Tag Materialer, Kerabit, Nortett, SealEco, Distri Pond, SPT-Painting, Taasinge Elementer, RVT and Veg Tech. Nordic Waterproofing Holding A/S is listed in the Mid Cap segment on Nasdaq Stockholm with the stock ticker NWG. In 2019, the Group had revenues of SEK 3,122 m, with 1,116 employees and operations in 10 countries.

# NORDIC WATERPROOFING

NORDIC WATERPROOFING HOLDING A/S. COMPANY REG. NO. 33395361  
RÖNNOWSGATAN 12, SE-252 25 HELSINGBORG, SWEDEN  
[WWW.NORDICWATERPROOFING.COM](http://WWW.NORDICWATERPROOFING.COM)