Nederman

Annual Report

and Sustainability Report

2017

Contents

2017 in summary

Net sales SEK 3,148.5 m (3,107.3), which organically is an increase of 0.1 percent.

Adjusted operating profit SEK 285.8m (250.3). Adjusted operating margin was 9.1 percent (8.1).

Operating profit SEK 278.1 m (250.3), which gave an operating margin of 8.8 percent (8.1).

Net profit SEK 186.3 m (172.1).

Earnings per share SEK 15.93 (14.72).

The Board of Directors proposes a dividend of SEK 6.00 (5.50) per share.

Development by quarter

Q1 Good sales trends. Strong development of service in the US. Good development on most markets in EMEA. Continued weak development in China.
Q2 Incoming orders increased organically by 13.6 percent. Good order growth in the US. A number of major orders booked in EMEA. Good development for the core business in China.
Q3 Good number of incoming orders, improved profitability and a strong and stable cash flow. Continued positive development in Canada. Digital sales channels are ever more important for EMEA. Strong development in China.
Q4 Net sales increased organically by 4.9 percent. Strong profitability in Americas. Continued good growth figures in Germany and the UK. Very strong figures for incoming orders in China. Acquisition of the Norwegian company NEO Monitors, a global pioneer within laser-based solutions for the measuring of gases and dust in all types of industries.

Key figures

SEK m	2017	2016	2015
Net sales	3,148.5	3,107.3	3,198.0
Adjusted EBITDA	338.5	298.0	311.0
Adjusted EBITDA margin, %	10.8	9.6	9.7
Operating profit	278.1	250.3	242.0
Operating margin, %	8.8	8.1	7.6
Adjusted operating profit	285.8	250.3	263.1
Adjusted operating margin, %	9.1	8.1	8.2
Profit before tax	260.1	231.7	214.9
Net profit	186.3	172.1	152.8
Earnings per share, SEK	15.93	14.72	13.07
Return on equity, %	18.1	18.9	19.5
Return on operating capital, %	18.0	16.8	19.0
Net debt	585.3	524.3	635.6
Net debt/equity ratio, %	54.4	53.4	75.9
Net debt/Adjusted EBITDA, multiple	1.7	1.8	2.0
Interest cover ratio	11.8	11.8	8.9

The Annual General Meeting will take place on 19 April 2018.
The Annual General Meeting of Nederman Holding AB (publ) will take place on Thursday, 19 April 2018 at the Radisson Blu Metropol Hotel, Carl Krooks gata 16, 252 25 Helsingborg. For further information, see page 110.

Information on data in this report
Figures in brackets refer, unless otherwise specified, to results in 2016. The currency is Swedish Krona (SEK) throughout. Million Swedish kronor is abbreviated to SEK m and thousand Swedish kronor is abbreviated to SEK t. In the Annual Report, information concerning markets, competition and future growth are Nederman's own assessments based mainly on material compiled within the Group.

Distribution policy
The printed version of the Nederman annual report is distributed to shareholders who request it. The Annual Report is also available in full on the Group's website: www.nedermangroup.com

This is Nederman

Nederman supplies products, systems and solutions for industrial air filtration in demanding environments. The Company's customers receive help with everything from the design of major system solutions to installation and service. The end result means that customers have a safe and healthy workplace, that laws and regulations are complied with, that production can be conducted in an efficient manner, and that customers' environmental impact is limited.

LONG AND SUCCESSFUL HISTORY

For over 70 years, customers have relied on Nederman's ability to deliver innovative and high quality products and solutions. Nederman has been a well-known brand for many years. Nederman has a strong global presence today. Sales are conducted through our own sales companies and distributors in over 50 countries. The main focus of sales is in Europe and North America, but Nederman is also active in a number of interesting growth markets. Manufacturing is carried out on five continents. Net sales in 2017 amounted to around SEK 3.1 billion. The Company's mission is to contribute with unique know-how and efficient solutions to efficient production, better environment and safer workplaces. The vision is to be the leading global expert in solutions for eco-efficient production. Today, Nederman is a world leader in industrial air filtration.

ECO-EFFICIENCY

Nederman's world-leading solutions are used in industries throughout the world. Metal fabrication industries, fibre-based industries, process industries and the automotive industry's aftermarket are some of the places where the Company's products make a difference throughout the world - every day. The interaction between health and safety, compliance with legal requirements, production efficiency and reduced environmental impact encapsulates Nederman in the concept of eco-efficiency. In terms of economy, it is about streamlined production, improved product quality, minimised environmental charges and reduced energy consumption. In terms of ecology, it is about better health and safety in the workplace, more efficient use of materials and reduced emissions.

AREAS OF EXPERTISE

Extraction/capture. The first step is to select the best method to capture fumes, dust and particles. All plants have different requirements. With Nederman's expertise and broad experience from different industries, the Company can recommend the most effective solution. For welding, for example, the most effective solution is usually capture directly at source or, alternatively, an extraction arm directed towards the source. Automotive workshops require extraction that effectively removes exhaust fumes. Specially designed cowls for the capture of

fumes and particles are often required within heavy industry. Nederman offers all these types of solutions.

Ducting. When the dust has been captured, it must be transported to the filter. If not done properly, dust can build up in the ducting causing reduced efficiency in the filter system and increased wear on the conduits leading to higher maintenance costs and lower productivity. With its own pipes, hoses and other system components, Nederman is able to ensure that the selected parts are suitable for the type of particles to be transported.

Filtration. With decades of experience and the information collected about the customer's needs and the type of particles to be filtered, Nederman can recommend a filter solution that is best suited for the task. A filter solution can range from small mobile devices to large systems with multiple dust collectors. The choice of filter material is an important component of a well-functioning system with optimal life. Since 2015, Nederman has had a dedicated competence centre to strengthen knowledge in this area.

Safety components. An important element of a complete air filtration system is safety components. Safe handling of combustible dust is a key competence for Nederman. The Company offers products and training for handling combustible dust. Waste must also be handled in a safe manner to minimise risks. Nederman's solutions are designed to minimise exposure when handling waste and replacing filters. The solutions also include products such as ladders and railings for dust collectors to reduce the risk of accidents during installation and maintenance work.

System components & optimisation. Nederman offers products that optimise performance, simplify operation, reduce energy consumption and extend maintenance intervals, e.g. fans, valves, control systems etc. The right components can have a dramatic impact on the operating and service costs for an air filtration system.

RAPID DEVELOPMENT

In the last ten years, Nederman has developed from a company with a relatively narrow product range to an environmental technology company that can solve fundamental environmental challenges. The Company is continuing on this path and continually adding new solutions and areas of expertise.

EMPLOYEES

At the end of 2017, Nederman had 1,803 employees (1,743). The average number of employees during the year was 1,757 (1,760), of whom 21 percent were women and 79 percent were men. Geographically, the company has the most employees in EMEA region with 56 percent, followed by Americas with 27 percent and APAC with 17 percent.

Growing number of incoming orders and increased profitability

2017 has been a good year for Nederman. Incoming orders amounted to SEK 3,157.3 m (2,992.3), which corresponds to an organic increase of 4.6 percent following good market development in EMEA and APAC, while incoming orders in Americas was uneven during the year and ended up being just slightly above 2016 figures. Net sales were at 2016 levels, while profitability increased during the year with an adjusted operating margin of 9.1 percent (8.1). Net profit was SEK 186.3m (172.1).

ANOTHER STRONG YEAR FOR EMEA

2017 was a strong year for EMEA with continued profitability. As a result of a more stable economic climate, we also saw a positive development in both incoming orders and in net sales. The number of incoming orders increased organically by 4.5 percent and net sales increased organically by 4.2 percent.

The positive development in net sales and profits was a result of a project sale that was the best in four years, and a core business with sales of smaller systems and products that continued the positive trend from previous years. Digitalisation of the operating segment's activities with digital sales tools, digital marketing and the highly appreciated web shop for distributors was also crucial in 2017 to the high levels of efficiency and profitability.

INCREASED PROFITABILITY IN AMERICAS

In Americas, the adjusted operating margin increased to 11.1 percent (10.7) in spite of a weak market during the year. The demand for Nederman's major systems was low in 2017. Incoming orders were at 2016 levels, while net sales decreased organically by 6,1 percent during the year. We nevertheless managed to raise our profitability thanks to a systematic and consistent effort to lower the organisation's expenses. The organisation in Americas has also produced clear activity plans for improved distribution, more efficient sales of smaller systems and higher sales volumes within the after-market.

MORE POSITIVE SIGNS IN APAC

For APAC, 2017 was the year when the trend of reduced profitability was broken and losses were turned into profits. During the year, the adjusted operating profits increased by SEK 18.6m from a figure of negative SEK 9.3m to positive SEK 9.3m in 2017. Incoming orders and sales also showed positive development with an organic growth of 19.4 percent and 6.0 percent respectively. The adjusted operating margin amounted to 2.3 percent (-2.5) for the entire year, and the ambition is gradually to raise profitability to a level in line with the Group's financial goals. Markets such as China, India and Australia developed well during the year, while the trend in Southeast Asia was weaker.

In the long term, there is a lot going for Nederman in Asia. The increasing prosperity in the region leads to a clearer focus on environmental issues, which for example can be seen in the new environmental legislation in China. The potential for Nederman's system solutions is great, and in recent months, we have seen an increased level of activity within the environmental field.

NEW ORGANISATION FOR INCREASED GROWTH

The Nederman Group is currently undergoing a re-organisation of the operation with a goal of increasing both growth and profitability through simple structures and a clear focus. In concrete terms, this means that Nederman will be organised with an operational main focus on four trademarks, but maintaining coordination in the operating segments of Americas, EMEA and APAC. With the new organisation, Nederman's expertise will make a clear breakthrough on the global market. The new organisation will also further strengthen Nederman's work with the Group's key customers and expand the after-market business, which holds considerable opportunities for growth. The new organisation will gradually be implemented in 2018 and will be reflected in Nederman's segment reporting effective 1 January 2019.

SUSTAINABILITY EVER MORE IMPORTANT FOR THE GROUP'S MAJOR CUSTOMERS

Nederman has taken decisive steps in recent years within sustainability. Among other things, we have implemented our Code of Conduct within the whole Group and developed the Nederman Operations System, which controls how our manufacturing units work and report. In 2015 and 2016, we implemented a comprehensive strategic effort in order to fully integrate sustainability issues into our business strategy. This work has now transitioned into a more concrete phase that involves the development of business plans in various parts of the company. When all the work is completed in 2018/2019, the ambition is that Nederman will be a company which, by having integrated sustainability in its strategy, is the obvious choice for all the Company's stakeholders.

Moreover, sustainability issues are becoming increasingly important for large international companies. Therefore in 2017, we created a dedicated key account function whose task was to develop long-term relations, at the correct level, with our most important customers.

OUTLOOK

The situation in Europe continues to improve with a positive development in both incoming orders and in sales. In the United States, we also see continued stable sales in the core business, while uncertainty concerning large projects is expected to remain for some time, even if we have seen a certain amount of improvement toward the end of the year. In Asia, several markets have developed positively; among such developments is an increased activity within the environmental field in China.

Sven Kristensson
President and CEO

Strategy and value creation

Lower environmental impact

Nederman's mission is to protect people, products and our planet from the harmful effects of industrial processes. In this way Nederman helps to create safe work spaces, efficient production and significant environmental benefits. Clean air is the cornerstone of sustainable production.

Fumes and particles generated during the manufacturing process must be efficiently captured to safeguard product quality, the service life of equipment, compliance with environmental regulations, as well as to maintain safe and healthy workplaces. Manufacturing companies wish to increase profitability by making their operations as efficient as possible. They must meet strict environmental requirements and protect their employees from hazardous particles. Nederman can help them on all counts - it's how we create value.

GLOBAL TRENDS DRIVING DEMAND

Knowledge about the importance of the internal and external environment is growing globally, resulting in stricter legislation and controls. Strong needs linked to efficient production, environment and health are driving demand for Nederman's products and solutions. Read more about key global drivers in the Sustainability Report on pages 36-41.

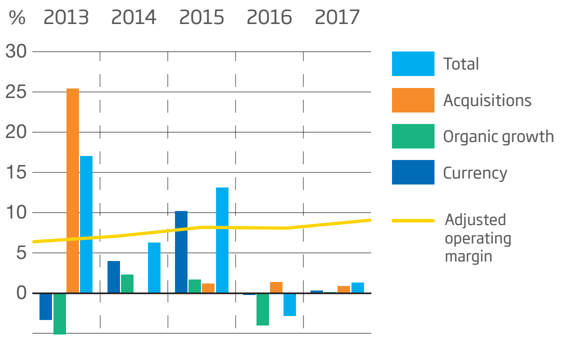
FINANCIAL OBJECTIVES

Over a business cycle, the annual sales growth should be 8-10 percent and the adjusted operating margin at least 10 percent.

STRATEGIC PRIORITIES

In order to realise the financial objectives, Nederman is working on four priority areas: expansion into new customer and market segments, developed positions in the value chain, the development of new products and solutions, and geographic expansion, see pages 12-13.

Sales growth and margin development



During the past five years, sales growth has amounted to an average of 7.0 percent. During the period, the adjusted operating margin varied between 6.4 and 9.1 percent and in 2017 amounted to 9.1 percent. The average dividend during the period was 46 percent of net profit.

This is how Nederman creates value for its customers

HEALTH AND SAFETY

It is profitable for employers to provide a clean and safe working environment. Several studies carried out in recent decades show that industrial workers who work in a clean and safe environment, without dangerous fumes or particles, are both more efficient and have lower absence due to illness. In the competition for highly qualified workers, it is becoming increasingly important to provide clean, safe and attractive workplaces in order to attract the best people.

In the welding industry, inhalation of welding fumes is one of the most serious risks. Welding fumes contain substances that can cause serious illnesses in the long term. Therefore, it is important to avoid welding fumes and Nederman offers a wide range of solutions for a safe working environment within the welding industry.

COMPLIANCE WITH LAWS AND REGULATIONS

Globally, each year 5.5 million people die prematurely of diseases related to air pollution. More than half of these deaths are in India and China. This means that air pollution is the second biggest cause of premature death worldwide. Only smoking kills more people.*

A lot is being done to counter air pollution, and countries around the world are tightening their regulations and reducing emission threshold limits. Since industrial production is a major contributor to air pollution, many industries are facing new challenges. Nederman's efficient air filtration systems enable compliance with regulations and fines to be avoided in a variety of different industries.

*** WHO report "Global impact of diseases," published in 2016.**

PRODUCTION EFFICIENCY

Just as dust and smoke are harmful to humans, they can also shorten the life of machines and other production equipment. Dusty production environments can also adversely affect product quality, leading to product rejection and delayed deliveries. Generally speaking, air pollution leads to recurring problems and lower profits. Clean air is thus in many ways pure profit.

Nederman also offers energy-efficient solutions that can contribute to significant energy savings and solutions for the recycling of valuable materials, e.g. cutting fluids, wood and metal shavings. In this way Nederman contributes to sustainability and profitable production.

LOWER ENVIRONMENTAL IMPACT

Nederman contributes to a better environment through its solutions and expertise that minimise air pollution and help customers create a more sustainable production. Nederman also helps customers to recycle valuable waste such as metals and wood. In this way, Nederman helps to optimise the use of limited resources.

Nederman also works actively to minimise the environmental impact of its own production. Already during the development of new products, solutions are designed for long life with clever use of materials and efficient operation. Products should be manufactured with the lowest possible environmental impact and the aim is to reduce energy consumption in relation to sales by 20 percent by 2020 (compared to 2013). As for the waste generated in production, the target is that 95 percent will go to recovery by 2020.

Strategic priorities

EXPANSION TO NEW CUSTOMER AND MARKET SEGMENTS

Since 2003 Nederman's sales have grown from SEK 735m to SEK 3,149m in 2017. This development has been achieved by means, among other things, of a major expansion of its customer offering through acquisitions. Through acquisition, Nederman has significantly broadened its offering to include complex industrial processes, filter technology, management of oil mist, metal chips, ash and lime. Nederman is working continuously to identify interesting areas of expansion.

In 2017, this expansion continued with the acquisition of the Norwegian NEO Monitors, a global pioneer in laser-based solutions for measuring gases and particulates in all kinds of industries. The company has taken a leading position in all generations of laser-based measurement technology. Read more about NEO Monitors on page 34.

DEVELOPED POSITIONS IN THE VALUE CHAIN

With a strategic focus on streamlining sales and distribution, Nederman has begun a digital transformation that involves a change in the way we communicate and do business. By focusing on digital channels, Nederman will increase demand and create qualified sales opportunities.

Nederman also sees considerable opportunities in providing more value to the company's key customers all over the world through an increased understanding for the customer's processes. Therefore, in order to become an even more attractive partner that can handle customers with a worldwide operation, the Global Strategic Accounts function was created in 2017.

DEVELOPMENT OF NEW PRODUCTS AND SOLUTIONS

Nederman is continually developing its offering to meet the highest standards of performance and service life as well as lower energy consumption and maintenance costs. In 2017, four new products, among them the FX2 extraction arms suitable for laboratories and the electronics industry. A complement to the range for the extraction of welding fumes was launched, FE 24/7, a mobile extraction solution for round-the-clock operations. New explosion isolation valves, CARZ-N were launched, which are designed, tested and certified in accordance with EN16447: 2014, in order to allow for use with all St1-particulate types, including metal particulates.

Nederman also introduced new solutions for modern vehicle workshops and other industries, e.g., currently cable and hose reels are available in a neutral grey design and they meet the requirements of plants that want to highlight their own trademark.

GEOGRAPHIC EXPANSION

Nederman has gradually expanded its business operations to an increasing number of countries around the world. Today, the Group has particularly strong positions in North America and Europe. The aim is to establish a successful operation in more countries.

In South America, Nederman has built a strong organisation in Brazil and is currently working to do the same in Mexico. Nederman is also present in selected markets in Asia, which the Group believes is an interesting market in the long-term.

Products and solutions

We are specialists in advanced air purification in demanding industrial environments. Our solutions help to reduce environmental impact, create good working environments and increase production efficiency.

Nederman's offer includes individual products, engineering design, installation, commissioning and service. Many of our solutions have been pioneering in their ability to streamline production, reduce environmental impact and improve the working environment.

SALES MODEL

Nederman's sales model is divided into three segments in order to deliver solutions to customers' challenges as effectively as possible.

Product sales

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

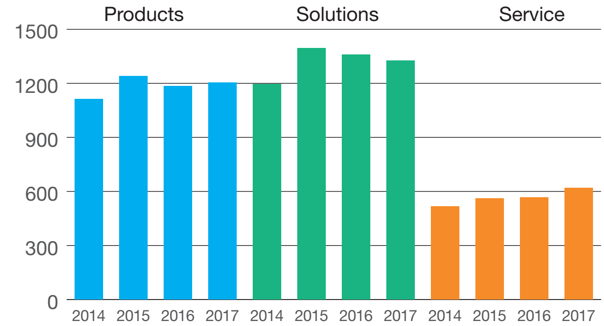
Solutions

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

Service and aftermarket

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

Sales per segment, SEK m



Priority market segments

METAL FABRICATION

Air pollution, such as welding fumes and oil mist, is a common problem in metal fabrication. The particles that are released can endanger the health of employees, contaminate surfaces and damage electronic components used in production. There are also strong economic incentives to recycle waste products such as cutting fluids, abrasives and metal shavings. Stricter requirements and standards for the working environment are also driving demand in this area.

Nederman's products solve challenges within metal fabrication by capturing welding fumes, oil mist and other particles at source and by separating cutting fluids, abrasives and metal shavings for recycling. We have a complete range with everything from mobile filters to total solutions for entire production lines and plants. There are also solutions for welding robots and machines in automated production processes.

FIBRE-BASED INDUSTRIES

The handling of materials that generate dust is a major problem in many industries. The wood processing and composite processing industries are good examples, alongside the pharmaceutical and food industries where there are strict demands for hygiene and safety. Process dust that forms in the handling of materials such as wood and composites can cause health problems when inhaled, while they may also damage product quality. Some types of dust also cause fire and explosion risks.

Nederman's products and solutions are in many cases necessary for safe and efficient production. Our offering includes solutions that not only enable a safe working and production environment, but also dispose of waste products for various forms of recycling. In larger plants, Nederman's equipment is often fully integrated in the customer's process to contribute to greater energy efficiency. In smaller plants and processing operations there are tool-specific applications for capturing particles at source.

PROCESS INDUSTRIES AND ENERGY PRODUCTION

There is an ongoing global expansion of processing plants and incineration plants to meet growing demand for metals and energy. These production plants produce hot gases that contain harmful particles.

Nederman has developed a complete system for foundries, smelters and other types of incineration plant. The Group also supplies solutions for recycling of resources in waste management plants. Nederman's solutions mainly comprise filter systems that meet high demands for performance and also minimize energy consumption and maintenance costs. In many instances the Group takes complete responsibility for solutions, which means design, installation and commissioning as well as continual servicing.

THE AUTOMOTIVE INDUSTRY'S AFTERMARKET

Nederman supplies solutions that safeguard a good working environment in vehicle repair shops, MOT centres and emergency service stations. The company is a world leader in systems for handling exhaust fumes and also supplies a wide range of solutions for large and small vehicle repair shops.

Solutions safeguard a clean and safe working environment and make repair shops more efficient with better ergonomic conditions. The systems take care of exhaust fumes directly from the exhaust pipe. There are solutions for easier handling of hoses and cables. Other products take care of particles and smoke that are produced through grinding, welding and painting.

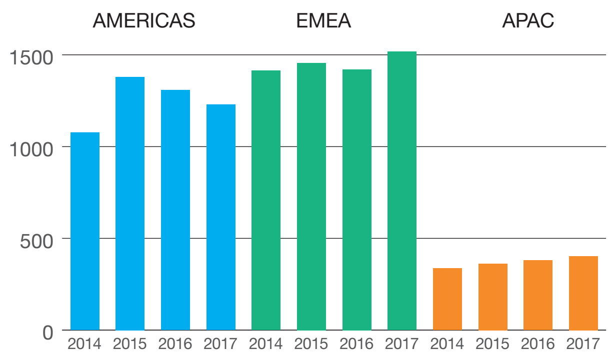
Strong global position

Global market € 5 billion
Sales in more than 50 countries
Manufacturing on five continents

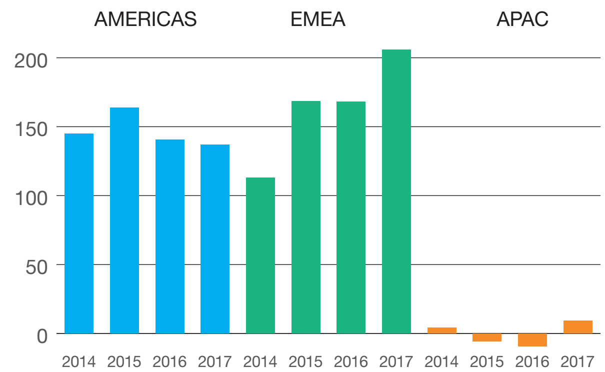
Nederman has a strong global presence. Sales are conducted through our own sales companies and distributors in over 50 countries. Most sales take place in Europe and North America, although Nederman is also active on a number of growth markets. Production is carried out in 11 countries on five continents.

The Group is organised in three operating segments: Americas (North and South America), EMEA (Europe, Middle East, Africa) and APAC (Asia and Oceania). Each operating segment is responsible for both sales and product supply in its area.

Sales per operating segment, SEK m



Adjusted operating profit per operating segment, SEK m



MARKET AND COMPETITION

The global market for air filtration is estimated to be EUR 5 billion and is growing in line with increasing focus on the environment and health and safety issues.

The key concentration of Nederman's sales is in Europe and North America, but the Group is developing positions in Eastern Europe, Asia, the Pacific region and Brazil.

Competitors generally have a narrower product range and more limited geographic coverage. Within specific application and product areas, competition comes from regional or local businesses.

SALES ORGANISATION

The group has its own sales companies in 25 countries, and distributors in more than 30 other countries. The company aims to maintain a good balance between direct sales and sales via distributors in order to reach customers with varying demands as effectively as possible.

A strong local presence is of great importance to Nederman to meet changes in market requirements and deliver comprehensive solutions. Sales through distributors meanwhile give Nederman a high market coverage for individual products and smaller systems.

During recent years the company's own sales organisation has been developed to strengthen presence on new and existing markets. A regional structure has been established for sales and technical support on developing markets and within specific business segments.

SERVICE

By offering advanced service with high availability, Nederman helps its customers to secure continuous, optimised production. This is especially important as the Group increasingly works with total solutions for large installations, solutions that are often critical to production for customers.

The need for services is also increasing in pace with the fact that the installed base of equipment from Nederman is growing in all markets. To serve this base, Nederman has an established service organization in many countries. The service organisation is currently being developed to meet the needs of the growing markets in Asia and Eastern Europe, among others.

PRODUCTION

At the end of the year, the Group had production and assembly units in eleven countries. There are six units in Europe: Sweden, Denmark, Norway, the UK, Poland and Germany. In Asia, there are plants in China and Thailand. There are also units in Australia, USA and Brazil.

All production is carried out in accordance with the Nederman Operations System with common principles for customer focus, result driven leadership, committed employees, continuous improvement and visualisation. The aim of the Nederman Operations System is to have more satisfied customers, dedicated employees, reduced environmental impact, safe and healthy workplaces, the right product quality and cost-effective operations.

Nederman has global certification for quality and the environment, in which all production units in Nederman and Nederman Holding AB are included. In May 2016, Nederman, as one of the first companies in Sweden to do so, upgraded its global certification to the new revisions of the ISO9001:2015 and ISO14001:2015 standards.

Americas

Continued weak demand for large systems. Systematic effort to improve profitability.

The operating segment Americas experienced a rather mixed development in 2017. A weak first quarter was followed by two quarters with a good level of incoming orders. Total incoming orders for the year was at the 2016 level and amounted to SEK 1,198.4m (1,194.5), corresponding to an organic growth of 0.3 percent. Sales decreased organically by 6.1 percent to SEK 1,228.3m (1,307.1). In spite of the decrease in sales, profitability rose owning to a systematic effort to reduce costs. For the entire year, the adjusted operating profit amounted to SEK 136.9m (140.4), corresponding to an adjusted operating margin of 11.1 percent (10.7).

CONTINUED UNCERTAINTY DURING 2017

2017 was characterised by a continued uncertainty with regard to a possible tax reform in the United States, renegotiations of the NAFTA trade agreement and other political issues. The political uncertainty resulted in a challenging market fraught with uncertainty and lengthy decision-making processes, which led to a lower propensity to invest, and thereby a low demand for Nederman's major system solutions. At the end of 2017, the new tax reform in the United States was approved, which meant that the uncertainly previously experienced was somewhat removed. It is too early to say exactly what effect this will have on the American market.

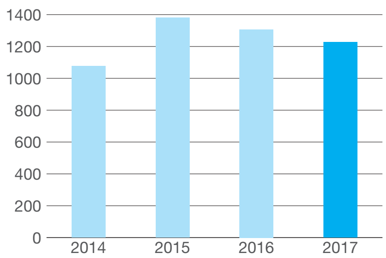
In the absence of a strong demand for the company's larger system solutions, during 2017 Nederman Americas has focused on the continued development of its core business with product sales and sales of smaller systems and efficiency improvements.

DEVELOPMENT PER COUNTRY

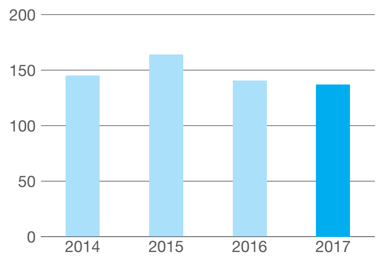
In 2017, the US market was characterised by prolonged decision-making processes for large projects. For Nederman this meant that the demand for large system solutions fell significantly. Looking at the full year, incoming orders declined by about 50 percent for this part of the customer offering. The housing market continues to perform well in the USA, which had a positive effect on Nederman's sales to the wood products industry. Nederman's core business with products and services had a solid performance during the year. Canada saw a positive development during 2017. This positive development is driven, among other factors, by an agreement with a national distributor in the welding segment, which has resulted in a positive effect on core business. Brazil has been characterised for a long time by low economic activity. Despite this, Nederman has had a relatively good development in the country and after a weaker third quarter incoming orders increased again in the last quarter of the year. Mexico accounts for a limited part of Nederman's sales in Americas. The focus is currently on developing the core business in the country, but the political situation in the region makes it difficult to assess how the development will be in 2018.

Overview 2014-2017

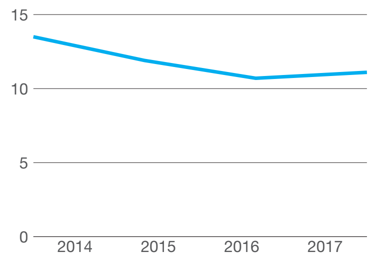
Sales, SEK m



Adjusted operating profit, SEK m



Adjusted operating margin, %



See Note 3 for further information.

FOCUS ON OUR CUSTOMERS

Nederman's filter solutions provide efficient production environments and safe workplaces

Due to an increasing demand for a proprietary textile product, Nederman was contracted to supply a comprehensive upgrade to a customer's existing manufacturing plant located in the Southeast USA. The project involved the relocation of textile machinery and supply of new associated air purification and conditioning equipment for the process. The process requires removing dust and fiber as well as heat and supplying air at high humidity in order to generate efficient production and a good working environment. Thanks to an installation that combines Nederman's modern APF (Automatic Panel Filter) for particulate and fiber control and Pneumafil brand air washers for cooling and humidity control, a sustainable system is created that meets the high demands of production efficiency and good work environment. The installation will be carried out in multiple phases and be fully completed in 2018.

FOCUS ON OUR CUSTOMERS

Nederman equipment protects New York firemen

The New York Fire Department is one of the world's largest. The fire department was founded in 1865 and currently has 11,000 firemen, 4,500 EMT's and paramedics, and 2,000 civil servants. There are more than 350 fire stations in New York and even more EMS stations. The New York Fire Department uses Nederman's MagnaRail system in order to process vehicle exhaust during maintenance work in the garage.

Since the fire engines run on diesel and, as a rule, they are started inside the fire stations upon being dispatched, Nederman equipment has also been installed to protect the firemen from continually being exposed to harmful emissions from the diesel engines. Over the past three years, the New York Fire Department has upgraded all of its Nederman systems in order to increase efficiency and to lower energy consumption.

FOCUS ON OUR COMPANY

The story of Jessica Astoria and Katie Foote

Allowing the company's employees to develop and grow with ever more responsible assignments is an integrated part of Nederman's goals of creating a workplace that attracts talent and which gets them to stay with the company. In order to succeed in this ambition, Nederman works on long-term staff development and succession planning. One example of how this works in practice can be found at one of Nederman's facilities in the United States, where Jessica Astoria and Katie Foote have continually developed and been promoted to increasingly responsible positions. Since she came to the company in 2005 as a process engineer, Jessica Astoria has gained experience from different positions in the company. Her career encompasses senior positions within technical sales, project management and production, and in 2017, Jessica was promoted to the position of Vice President, responsible for sales, marketing and product development. Katie Foote, since she came to the company in 2011, has had a similar career development with a number of positions within the company. Katie also began as a process engineer and has subsequently held a number of different roles and currently serves as Operations Manager.

Katie Foote and Jessica Astoria

FOCUS ON OUR PLANET

Efficiency measures in Charlotte decrease energy intensity

The majority of CO2 emissions from Nederman's own operations come from energy consumption in production, as well as from emissions associated with freight transport. In 2017, Nederman implemented comprehensive efficiency measures at the production unit in Charlotte. One effect of this has led to a more than 30 percent reduction in energy intensity, which corresponds to a reduced quantity of CO2 by approximately 600 tonnes/year. In general, Nederman conducts ongoing projects around energy efficiency in the manufacturing units - from upgrading to LED lighting to major efficiency projects encompassing the entire manufacturing and logistics operations.

Another way of reducing the amount of CO2 emissions from production is to increase the proportion of renewable energy. The proportion of renewable energy in Nederman's production has increased from 15 percent in 2016 to 21.2 percent in 2017.

DRIVING FORCES

Due to the continued political uncertainty, industrial production and industrial investments in 2017 remained at low levels. In spite of this, there are a number of driving forces acting toward a positive development for Nederman Americas. Providing a good working environment in different types of process industries is increasingly important in order to be able to recruit personnel and to comply with existing laws and regulations. Air emissions are regulated by law in most countries in the region. Another trend that is growing ever stronger is the interest in energy recovery. Nederman markets products and solutions that make production environments cleaner and operations more stable with minimal disruption to the customer's business. The economic arguments for Nederman's solutions are thus gaining extra force. In Americas there is growth in the auto, construction, woodworking and textile industries, which means increased demand for the Group's products and solutions. The fact that American companies, in the wake of lower energy prices and political intentions, are moving back production previously outsourced to Asia, has the potential to increase industrial activity.

ORGANISATION

In 2017, the organisation in Americas continued its efforts in strengthening competitiveness in product sales and thereby to reduce dependency on sales of large projects. One example worth mentioning is that Nederman's distributor network expanded considerable during the year. In parallel with developing sales channels and other market activities, the company has also worked actively on improving margins.

Over the course of the year, the service organisation in the United States has taken on a clearer commercial focus and the new sales team for aftermarket has been assigned the task of generating increased sales in service, spare parts and various kinds of product updates, but also by identifying interesting projects on the significant replacement market. Also Brazil offers good opportunities for increased sales of services, and in 2017, Nederman's service organisation expanded to new geographic areas in the vast country. Nederman Americas is represented by its own sales companies which handle product sales and service in the USA, Canada, Mexico and Brazil. In the other countries in the region local distributors handle these activities. In addition to the national sales companies, Nederman Americas has a regional organisation with responsibility for project sales of customer-adapted systems, which requires high competence and significant resources. Mexico has a potential that has not yet been fully utilised and the management of Nederman Americas continued in 2017 the long-term efforts to develop this market where growth is expected to be good for a long time to come. Nederman had a total average number of employees of 482 (486) in Americas in 2017.

OPERATIONS

One important explanation for the success of Nederman Americas in recent years is the local manufacturing capacity. By being able to manufacture large parts of the product range close to its most important customers and in the dominant currency, significant benefits are achieved in terms of lead times and reduced currency risks. Major efficiency measures were implemented in 2017 for manufacturing and logistics, which together with improvements to administration led to considerable cost savings.

THREE QUESTIONS FOR TOMAS HAGSTRÖM, SVP DIVISION AMERICAS

How do you view the development in 2017?
"Development in 2017 was similar to that of 2016 with a weak demand for larger systems, but with a good development for the core business with product sales and sales of smaller systems. The reason for the low amount of system sales is the uncertainty concerning political decisions that prevailed during the year."

What were the highlights of the year?
"I don't want to highlight any particular incident; rather, I would like to talk about our staff. There are very many people who have done a fantastic job in 2017, not least when it comes to working on lowering costs and increasing margins."

How do you see the future for Americas?
"I hope that the decision concerning the new tax reform that was made in December 2017 will result in a strengthened investment climate in the United States, even if it is too early to draw any long-term conclusions. The investment climate is not something that we can affect to any great extent. On the other hand, we have clear activity plans that systematically aim to improve our distribution, render our sales processes more efficient for smaller systems, and the continued commercialisation of our aftermarket services. All in all, I continue to be optimistic for 2018."

EMEA

Continued improvements to profitability and increased demand for Nederman's large system solutions.

EMEA operating segment experienced a positive development in 2017. Incoming orders increased organically by 4.5 percent as a result of better project sales and a continued good development of the core business with sales of products and smaller systems. Profitability was boosted for the fifth year in a row with an adjusted operating margin of 13.6 percent (11.8). Sales totalled SEK 1,517.5 m (1,420.6), equivalent to an organic growth of 4.2 percent.

PROFITABLE GROWTH IN 2017

The business climate improved during the year with an increased demand in several geographical areas. Project sales increased significantly and in 2017 were the highest they had been in four years.

A large portion of project sales went to various types of recycling companies, among them companies that recycle precious metals, recycling of electronic refuse and refuse to energy production. Other industries in the market for the Group's system solutions were the wind turbine and the aircraft industries.

The aftermarket also experienced positive development in 2017 with an increased element of upgrades to existing equipment. The digital sales channels continued to grow well during the year, and more and more distributors have been introduced to Nederman's highly appreciated Partner Web Shop.

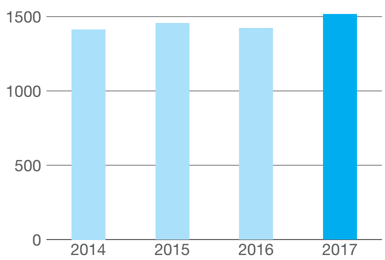
GOOD DEVELOPMENT ON SEVERAL MARKETS

Both Germany and Britain, two of EMEA's most important markets, had a positive development in 2017. In Germany, incoming orders increased organically by 6.2 percent, while the corresponding figures for Britain were 18.5 percent. Even Eastern Europe generally showed good development during the year, with the exception of Russia, where incoming orders decreased in comparison with 2016.

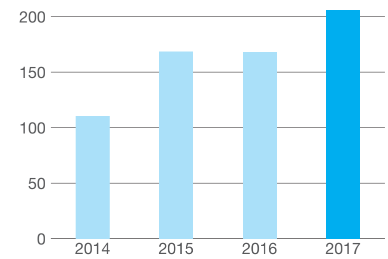
In general, the countries of Southern Europe posted a weaker performance in 2017. Among the Nordic countries, Norway posted a strong performance during the year, while performance in Sweden and Denmark was somewhat weaker than it was in 2016. The Netherlands saw a pronounced improvement in 2017 after a long period of weak demand. Distributor markets (the markets in which the operating segment does not have its own sales company) continued their positive development from 2016.

Overview 2014-2017

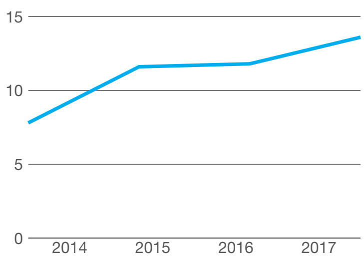
Sales, SEK m



Adjusted operating profit, SEK m



Adjusted operating margin, %



See Note 3 for further information.

FOCUS ON OUR CUSTOMERS

Nederman contributes to a more efficient and safer aircraft industry

For quite some time, Nederman has been a supplier to this industry with its unique solutions for air purification in industrial environments.

One challenge facing the aircraft industry is in handling particulates and chips that occur during grinding and polishing aeroplane parts, such as wings. Nederman's equipment for extraction and filtering creates a production environment that can take care of dust and chips from materials such as carbon fibre, aluminium and titanium in a safe and effective manner.

This way, Nederman helps its customers comply with regulations, increase efficiency, as well as improve the quality and extend the life of the manufacturing equipment.

FOCUS ON OUR CUSTOMERS

Enormous benefits with metal recycling

During 2017, Nederman received a substantial order for a facility recycling metal from electronic refuse, i.e., mobile telephones and similar items. Recycling metal instead of mining and manufacturing new metals has dramatically positive environmental effects. To name just a few examples: recycling metals generally consumes 75 percent less energy, and for a metal like aluminium, the energy consumption is some 95 percent lower; emissions into the air are reduced by 86 percent and the consumption of water falls by 40 percent.

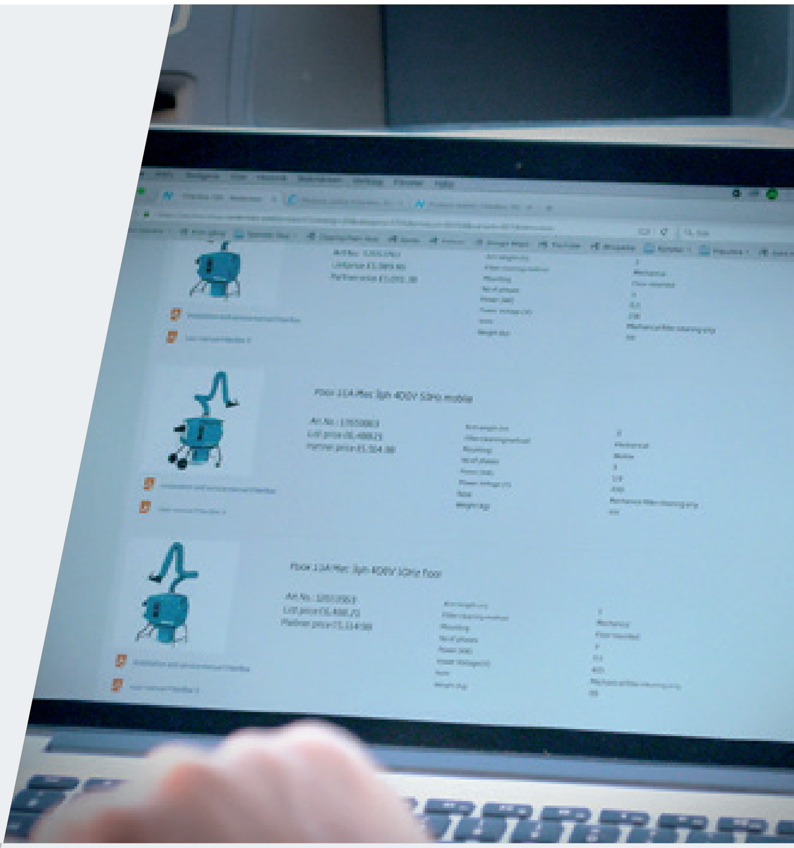
At the same time, only 12-18 percent of the world's electronic refuse is estimated to be recycled. In other words, there is great potential to manage the earth's resources better, and Nederman strives to be instrumental in this development.

FOCUS ON OUR COMPANY

New digital solutions improve dealer relationships

A substantial part of Nederman's business is conducted via dealers and establishing mutually profitable relationships with dealers around the world is very important. Over the past years, Nederman has worked hard to become a company that it is easy to do business with. One part of this effort is the new digital tools with an updated web, a partner web shop and digital order handling.

The Belgian company Welda has a 20 years long relationship with Nederman. Operational Sales Manager Alain Van Kerrebroeck comments on today's Nederman: "We are happy with our relationship with Nederman. It is good company to work with and easy to talk to. They understand the business and the market. The new digital services have made the information much easier to find, and the web shop is easy to handle. The only drawback for us with this new approach is that we now actually have to do some of the order handling that Nederman used to do in the past, but all in all, we are very happy with our relationship with Nederman."



FOCUS ON OUR PLANET

Reduced amount of chemicals in the wash water in Poland

In general, Nederman consumes rather small quantities of chemicals. The chemicals consumed are mainly used in connection with the paining of metal parts. Before the parts can be painted, they must be cleaned. For most metal parts, this is done in an automatic process in which the refuse is gathered and sent off for recycling. For larger parts, the washing process is manual and so far nothing has been done with the refuse.

Therefore, Nederman has now upgraded the factory in Poland with a cleaning facility for wash water coming from the paint works. This considerably reduces the amount of chemicals, particularly phosphates, in the wash water. All the wash water now passes through this facility, which in addition to the environmental benefits it offers also reduces costs for waste management and offers a more flexible operation in the paint works.

DRIVING FORCES

Requirements for safe work environments and reduced emissions from industries and a growing realisation of the real costs of environmental damage are factors that have a long-term positive effect on Nederman's operations in EMEA. In new and future EU countries that need to adapt to EU requirements, tougher legislation also plays an important role. As globalisation intensifies competition, the economic arguments for Nederman's products and systems are becoming clear. By investing in Nederman's products, companies can secure higher production efficiency and a better working environment.

ORGANISATION

In 2017, Nederman EMEA continued ongoing efforts to streamline operations, enhance long-term competitiveness and increase the organisation's focus on delivering high customer value. These efforts include a digitalisation of the sales and marketing processes with a focus on value-based sales. Among other things, digitalisation involves a Partner Web Shop for distributors and other digital sales tools. Partner Web Shop has been received very positively by the distributors and the number of electronic orders in 2017 has grown at the same time as the number of products available at the web shop has grown. The current digitalisation has thus far resulted in increased efficiency and improved profitability. Simultaneously, it is becoming easier and easier to do business with Nederman as information about the company's products is always available. An order is just a push of a button away. The aim is also to position Nederman as a leading expert and preferred partner. During the year, a series of training programmes were carried out in areas such as value-based sales, project management and leadership. Preventing dust explosions is one of Nederman's areas of expertise, and in 2017 certification of internal experts continued in order to further strengthen Nederman's ability to manage critical safety issues in a professional manner. Today, Nederman is represented by its own sales organisations in most Western European countries as well as in several countries in Eastern Europe. In the countries where the Group has no representation, sales are carried out through distributors. Nederman had an average total number of employees of 977 (970) in EMEA during 2017.

OPERATIONS

In 2017, Nederman EMEA continued the recent years' constant improvements to the operation at the manufacturing divisions. In Poland, the substantial streamlining efforts that began in 2016 were completed. The Nederman Operations System production control system was further developed during the year, which among other things led to more efficient flow in the factories. Sustainability work has been strengthened through a transition to renewable energy at the plant in Helsingborg from 1 January 2017 and by continuing to reduce waste volumes in production. Nederman EMEA has manufacturing in the following locations in Europe: Assens, Denmark (manufacturing); Marki, Poland (manufacturing); Leeds, UK (manufacturing); Helsingborg, Sweden (assembly and distribution); Kinna, Sweden (manufacturing) ; Töredal, Sweden (manufacturing); Friesenheim, Germany (manufacturing and assembly); and Skedsmokorset, Norway (manufacturing).

THREE QUESTIONS TO HANS DAHLÉN, SVP DIVISION EMEA

How do you view the development in 2017?
"2017 was a good year for us with an organic growth of incoming orders after a pronounced increase in our solution sales and a continued strong profitability. We have now improved our profitability for five years in a row, and in 2017 we had a higher profitability in each particular quarter compared to the corresponding quarters in 2016."

What were the highlights of the year?
"I would emphasise the improved business situation with higher demand for our system solutions, which together with a continued good development of our core business meant that we experienced a good level of growth in both incoming orders and sales. I should also mention the continued digitalisation of our operation. Already, our Partner Web Shop is playing a great role in our operation and its importance and that of other digital investments will only increase."

How do you see the future for EMEA?
"We go into 2018 with an even more strengthened position and I feel a continued and growing optimism. We have built a solid platform and at the same time we have identified a number of areas where we can further improve. In 2017, we showed what we can do, and we shall continue that work in 2018. "

APAC

Considerable improvement in profitability. Positive trends in China, India and Australia.

APAC operating segment posted a positive performance in 2017 with incoming orders that amounted to SEK 428.3m (358.4), equivalent to an organic growth of 19.4 percent. Performance was positive in China, India and Australia, while demand was generally lower in Southeast Asia. Sales totalled SEK 402.7 m (379.6), equivalent to an organic growth of 6.0 percent. A strong close to the year meant that profits for all of 2017 rose by SEK 18.6m to SEK 9.3m, compared to a negative adjusted operating profit figure of SEK -9.3m for 2016. The adjusted operating margin increased to 2.3 percent (-2.5).

IMPROVED PROFITABILITY IN FOCUS

The overall goal for APAC in 2017 was to generate profitability in the business operation. APAC is a region with good potential for large installations in connection with the construction of a modern manufacturing structure in the region. During the year, Nederman has chosen to focus on those areas in which the Group has a high level of expertise and thanks to its good quality and high level of technology has won a number of procurements in competition with local manufacturers without compromising profitability.

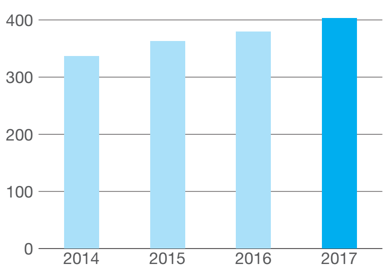
Nederman always acts with the long term in mind when the Group establishes itself on new markets, but at the same time it has strict requirements on profitability for all of its operations. The increased profitability in APAC during 2017 is an initial step on the way toward an operating margin in line with the Group's financial goals.

DEVELOPMENT PER COUNTRY

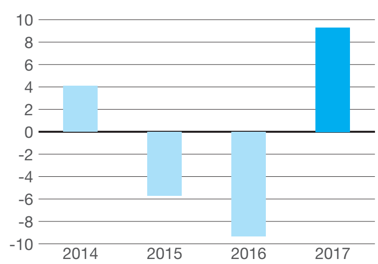
In China, demand was weak during the first quarter of the year, but during the three following quarters, performance on the Chinese market was markedly stronger, not least during the final quarter of the year when incoming orders grew organically by 70 percent. The core business performed well during the three final quarters of the year, and during the fourth quarter, even more major orders were placed. As well, India performed well in 2017 with the exception of the third quarter as the market was weighed down by the new indirect tax (GST). For the entire year, the organic order growth amounted to 28 percent. In Australia, financial confidence continued to increase and the organic number of incoming orders grew by 27 percent for the full year. The core business had a weak performance in Southeast Asia, while a number of larger orders were placed.

Overview 2014-2017

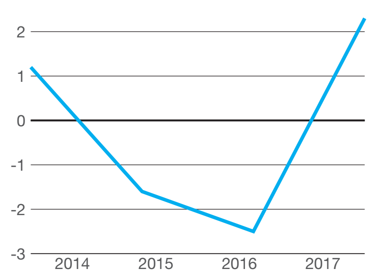
Sales, SEK m



Adjusted operating profit, SEK m



Adjusted operating margin, %



See Note 3 for further information.

FOCUS ON OUR CUSTOMERS

One customer, two continents - no problem

For some time now, Nederman has supplied comprehensive solutions to the Japanese company, Aisin Takaoka. When Aisin Takaoka decided to set up a new foundry in Mexico, the choice was made once more to have Nederman equip the facility with world-class industrial air purification. The order from the Japanese company further confirms Nederman's leading position and competitiveness with regard to industrial air purification on any continent. Nederman's strong presence both in Asia and in North America makes it possible to coordinate project in an efficient manner across two continents.

The system for the facility in Mexico will be designed and manufactured at Nederman's plant in Suzhou, China, and the installation will be led by the technical team in Suzhou in close collaboration with Nederman's organisations in Mexico and the United States. Seldom has Nederman's global strength been demonstrated so clearly.

FOCUS ON OUR CUSTOMERS

Nederman provides Nanjing Yunhai cleaner air and more stable production

Founded in 1993, the Nanjing Yunhai Group manufactures various types of stainless metals, among them aluminium and magnesium alloys, as well as various types of extruded and die-cast products. The company's products are used in the automotive and electronics industries.

Nederman in China sold its first comprehensive solution, including an FS filter, to Nanjing Yunhai in 2015, which replaced an old system from a local manufacturer. The new filter solution contains considerable more efficient air purification and a more stable production environment. Nederman's high level of quality is very much appreciated by the customer, and ever since its first installation in 2015, Nederman has installed twelve systems at six of Nanjing Yunhai's plants around China.

FOCUS ON OUR COMPANY

Successful organisational development in China and India

Nederman performed strongly in China in 2017. One important reason to the positive trend is the structured work that was undertaken in order to make the organisation more efficient. By appointing new senior executives that speak Chinese, a better means of following up on the operation was established; at the same time, the image of the organisation's strengths and weaknesses became clearer. Much of the work in strengthening the organisation has focused on clarifying roles and responsibilities. At the same time, inspiration for how Nederman works at its best has been gathered from other parts of the organisation.

A similar undertaking was also done in India, where Nederman recruited employees who can in a powerful manner contribute to the company's development. Just as in China, this conscientious effort produced good results during the year.

FOCUS ON OUR PLANET

Nederman benefits from its own expertise at the Suzhou plant

Environmental legislation in China is becoming more and more strict, and factories, including some of Nederman's subcontractors, are inspected by the authorities more frequently than before. If major faults or defects are discovered, there is a considerable risk that production will be stopped and the plant heftily fined. One area of focus during inspection is air emissions from paint works, where the regulations have become stricter. Nederman's own paint facility in Suzhou is subject to the harsher regulations. In order to ensure that the emissions in Suzhou meet national and local standards, Nederman conducted a comprehensive maintenance undertaking of the filter solution in 2017. A job where Nederman's own expertise in industrial air purification was put to use internally.

The work at the plant in Suzhou has also created opportunities for Nederman to apply its experience in developing the range offered to companies in the same situation.

DRIVING FORCES

Much of the production infrastructure in the region lacks environmental technology solutions or is using poor equipment. In other words, there is a large need for high quality environmental technology. By investing in Nederman's systems and products, considerable benefits can be realised in the form of operational safety and efficient recycling of residual products and energy. Both environmental and labour issues are being more and more important as the general standard of living increases in the region; at the same time, the regulatory requirements for environmentally friendly production are increasing in China and in other countries. By means of an increased environmental awareness and insight into the importance of investing in high-quality solutions, Nederman can enrich its dialogue with customers. The customer segment which currently has the strongest performance is the machinery and automotive industry, which is the driving force behind much of the growth in the region. Foundries and smelters, welding and mechanical processing are also reporting positive signs. The food industry, which was previously fragmented and underdeveloped, is now growing to become an important player with high demands for quality and safety.

ORGANISATION

In 2017, Nederman has worked intensively to strengthen the organisation's ability to develop profitable transactions. A number of important recruitments have been made at the same time as an important task of renewing and clarifying various roles in the operation has been done. A great deal of knowledge and inspiration have been gathered from other parts of the Nederman Group, among them, APAC, just like EMEA, has launched a Partner Web Shop for the company's distributors. The level of expertise has been raised on the Indian market by increasing the requirements on new recruits.

Nederman is represented by its own sales companies in Australia, India, Indonesia, China, Malaysia and Thailand. In other countries, distributors manage sales. In China, the head office is located in Shanghai but the country is covered by a number of regional offices. The major competence in larger systems and installations within the Australian organization is being used increasingly throughout the entire region to ensure that these projects are carried out as efficiently and successfully as possible. Service sales remain relatively low although they are expected to grow as the number of sold products and systems increases. Today it is especially Australia and China that have significant service activities. Nederman had an average number of employees of 298 (304) in APAC in 2017.

OPERATIONS

Nederman has a strong production structure within APAC with plants in Melbourne, Australia (assembly and distribution); Suzhou, China (production); Qingpu, China (assembly and distribution), and Bangkok, Thailand (production). The plant in Thailand, which was taken into operation in 2013, serves the Southeast Asia market. The plants in China serve the Chinese market as well as other Asian markets. Nederman is currently increasing local production in the region, while purchases from local suppliers is also rising. By having an increasing portion of local production and purchasing, Nederman can make faster deliveries at lower cost.

THREE QUESTIONS TO SVEN KRISTENSSON, CEO AND INTERIM SVP DIVISION APAC

How do you view the development in 2017?
"2017 was the year we turned the negative trend around with an improvement in demand in China, India and Australia. For the entire year, incoming orders increased organically by nearly 20 percent, while we also managed to improve profitability considerably by focusing on expertise and quality."

What were the highlights of the year?
"Simply, the most important thing in 2017 is that we turned an earlier loss into a profit. The improvement in our adjusted operating profits amounts to just over SEK 18m. We are not pleased with the level of profitability within APAC, but the trend within 2017 is a considerable step in the right direction."

How do you see the future for APAC?
"The macroeconomic environment with continued industrialisation, urbanisation and a growing middle class continues to indicate that Nederman has an important role to play in the region. More markets are developing positively for the moment, and we can see an increase in activity in the environmental field in China."

Nederman Insight

The ever-more rapid digitalisation creates new opportunities for Nederman to develop and improve its range offered to customers. The possibilities with connected services, Internet of Things (IoT) and mobile units such as smartphones and tablets, together offer a platform that can provide Nederman's customers with new services and new values. Nederman Insight has been established to capitalise on and to develop these possibilities. That is why, in the fourth quarter of 2017, the Norwegian company NEO Monitors was acquired, with its world-leading solutions for the measurement of gases and dust in all kinds of industries.

ACQUISITION OF NEO MONITORS

NEO Monitors is a global pioneer within laser-based solutions for the measuring of gases and dust in all types of industries. The company has taken a leading position in all generations of laser-based measuring techniques and currently has the largest installed base of TDLS (Tunable Diode Laser Spectrometry) analysers with more than 11,000 instruments installed in more than 40 countries. The company's expertise and technology allows for more than 100 different configurations customised to the needs of the customer, which helps global industries to achieve better process control, reduce operational expenses and increased efficiency.

NEO Monitors is now a part of Nederman Insight. NEO Monitor's trademark and team will continue as before. The solutions will be an integrated part of the Nederman Insight Applications and the digital eco system based on Connectivity and the Internet of Things.

STRATEGIC GOALS

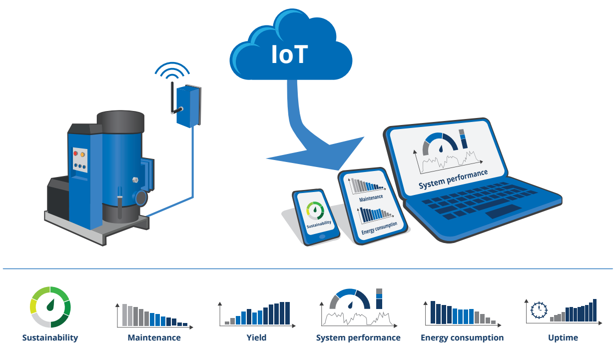
The goal of Nederman Insight in the upcoming years is to develop new digital solutions for a complete ecosystem of services that can be marketed to both new and existing installations of Nederman systems. In order to succeed, the company will gradually build the new and necessary expertise in order to create an attractive offer with a robust infrastructure for IoT.

DIGITAL FLOW FROM FILTER TO FACT

The vision is to create a digital flow from filter to fact. The first step, Performance Tracking, consists of the means via digital solutions to provide the customers with data on performance in their filter solutions. The goal for the next step, Process Optimisation, is to be able to help the customers to use this knowledge and to optimise their processes. One further step, Compliance, involves the customer having total control and reliable documentation of the industrial environment and emissions.

IoT-PLATFORM

The digital expertise offer is based on Nederman Insight's IoT platform. This platform, which consists of hardware installed in Nederman's products and solutions, as well as software that communicates with the cloud, provides customers with information and insights on critical parameters and processes.



Since 2016, Nederman has conducted pilot studies in four different segments of industry, which together constitute approximately 25 percent of Nederman's total sales. The results from the studies are implemented into Nederman Insight as services and solutions with the goal of becoming vital in the customer's operation.

The new digital services and solutions will strengthen Nederman's offer, and enrich the relations with customers in a way that has not previously been possible.

The vision is to create a digital flow from filter to fact. The first step consists of the means via digital solutions to provide the customers with data on performance in their filter solutions. Data that is always available, everywhere.

Sustainability
Vision and commitment

Nederman's Sustainability Report includes pages 36-37 (Vision and commitment); 38-39 (Agenda 2030); 40-41 (Results); 44-45 (Review of business operations); and 48-49 (Risk management). The report constitutes Nederman's statutory sustainability report as required by the Swedish Årsredovisningslagen and includes the entire Nederman Group.

Nederman's business operation with solutions that improve the working environment and limit emissions is deeply rooted in the ambition to make the world better and safer. It is therefore natural for Nederman to have taken a further step and integrate its work on sustainability in its business strategy.

Seen from a sustainability perspective, Nederman's products have the greatest effect during the long period in which the customers use them. Nederman's sustainability strategy therefore focuses on:

- The optimisation of the customer's use of resources by increasing efficiency, developing new products and services, and in improving the use of resources in existing solutions
- Increasing the customer's awareness and expertise by explaining the value of Nederman's solutions in improving sustainability in operations
- Improving conditions for health and safety among the customer's employees
- Building confidence in Nederman's ability to deliver the above

Six areas have been identified as the most vital in order to be an attractive partner to its customers.

- Integration of a sustainability perspective in all parts of the company's business strategy
- Economic development and financial strength
- An offering that consists of effective solutions for clean air
- An offering that consists of energy-efficient products and systems
- An offering that helps customers generate an efficient use of resources
- Innovation with a clear sustainability perspective
- Increased awareness of sustainability among Nederman's customers

CHALLENGES AND OPPORTUNITIES IN THE VALUE CHAIN

Few issues today are as important as sustainability issues. For Nederman, this offers considerable opportunities, but also risks. In order to be able to navigate a complex business landscape and to ensure that Nederman contributes to sustainable development, the company has analysed which global driving forces have the greatest effect on Nederman and where in the company's value chain the effect is greatest and how Nederman should act.

Development of products and services – Nederman shall develop products and services that offer the customer sustainability advantages. The development work will also be carried out so that all parts of the product can be reused, recycled or the energy recovered.

Suppliers – Nederman will focus on reducing the negative impact of the supply chain and work for greater transparency around suppliers and their work. The goal is to develop strategic partnerships that can help Nederman to develop and maintain a sustainable product offering.

Own operation – Within the company's own operation, sustainability issues shall be addressed in a manner reflecting Nederman's core values. The most important areas of this work are energy, waste and emissions, human resources, innovation for sustainability, economic strength and safe and healthy workplaces.

Sales – Crucial to Nederman's sales successes is the company's ability to identify customer challenges and to offer solutions for a more sustainable production and improved production efficiency.

Development of system solutions – Part of what Nederman has to offer consists of system solutions, i.e., customised solutions for air purification in various industries. This work offers considerable opportunities to design knowledge-intensive solutions optimised for sustainable production.

Distribution – Efficient distribution is an integral part of Nederman's offering. By reducing the environmental impact, Nederman helps to make the entire value chain as efficient as possible.

Product in use – Nederman's greatest environmental impact occurs during the use of the product. Product design is therefore also the single biggest opportunity to contribute to sustainable development by designing products that are as effective as possible while also helping to make the workplace safe.

From cradle to cradle – Nederman's goal for products that have reached their maximum useful life is to form the start of something new by recycling its parts.

NEDERMAN'S COMMITMENTS

Nederman has formulated its sustainability in three dimensions: our company, our customers, our planet.

Our company

Confidence – Together, we will create a culture of confidence, openness and transparency, where our employees feel inspired and our customers and investors have confidence in our integrity.

People & competence – Fuelled by the knowledge, insights and passion of our employees and strategic partners, we will make a positive difference to our customers, our value chain and for the planet.

Economic resilience – We will secure profitable growth to create financial strength and drive and execute our strategy, delivering lasting value for our stakeholders.

Our customers

Sustainable production – With our competence and big-picture thinking we will exceed customer expectations and contribute to effective, profitable and safe production environments. We will share our expertise to help customers explore how their waste can be recycled and reused. That's how we will help cut costs and make the most of limited resources.

Our planet

Do more with less – Together with our cooperative partners along the value chain, we will minimise our environmental impact by designing products with long lifetimes, based on smart material use and optimised for clean and efficient use. We manufacture products with the lowest possible environmental impact.

Sustainability Agenda 2030

Agenda 2030 is the UN's new agenda consisting of 17 global goals with a total of 169 sub-goals. The global goals and Agenda 2030 refer to eradicating poverty and hunger, enacting human rights for all, achieving equality and sovereignty for all women and girls, and securing a lasting protection for our planet and its natural resources. The global goals are integrated and indivisible, and they balance the three dimensions of sustainable development: economic, social and environmental. The goals affect everyone, countries and organisation, companies and individuals.

The global goals for sustainable development replace the millennium goals, which among other things involve environment and development no longer being treated as two separate issues. The processes of coming up with new goals has been open and inclusive with participants from large parts of the international community, and they have been developed by various work groups, researchers and organisation.

The three dimensions of sustainable development - social, economic and environmental - are integrated into the global goals. All the countries of the world shall work to attain these goals, and it is the responsibility of the respective government to see to it that the goals are met in their own countries. The goals are to be reached by 2030. (Sources for the above are fn.se and regeringen.se)

The foundation of Nederman's operation has by means of a clear focus on clean air and good working conditions always been sustainability. Thanks to this and to the strategic development that Nederman has undertaken in recent years, the company has created a unique position with great opportunities actively to offer considerable contributions to a positive development in this social dimension through improved work environments and the environmental dimension by limiting the amount of contamination into the air. The next page shows three examples of how Nederman will contribute to the realisation of Agenda 2030.

Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all

Removing dust particles can have a direct effect on production efficiency and the use of resources. The particles that are released can endanger the health of employees, contaminate surfaces and damage electronic components used in production. Nederman's products solve challenges by capturing welding fumes, oil mist and other particles at source and by separating cutting fluids, abrasives and metal shavings for recycling. In its own operation, the company constantly strives to be able to achieve more with less use of resources. As an example, energy intensity in Nederman's production facilities has fallen by 16.2 percent since 2013. Nederman has a well-established code of conduct, and the company continually works to ensure that this is obeyed by employees and suppliers.

Goal 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation

Nederman's product range is comprehensive with everything from mobile filters to total solutions for entire production lines and plants - both existing and new. With the help of new technology, Nederman can help optimise production efficiency. The possibilities with connected services, Internet of Things (IoT) and mobile units such as smartphones and tablets, together offer a platform that can provide Nederman's customers with new services and new values. One example of this is Nederman Insight, which collects and analyses value-creating information in order to help customers to monitor system performance and ensure optimal operation, plan service needs and monitor compliance with laws and regulations.

Goal 12: Ensure sustainable consumption and production patterns

Sustainable production is Nederman's core business. In addition to solutions that process particles in the air, Nederman offers solutions for the gathering, processing and recycling of refuse, for example wood and metal chips. With its unique applied skill, Nederman can help its customers create a unique solution for their production and thereby contribute to making it more sustainable. Nederman constantly works to increase sustainability within its own business operation. The recovery rate from refuse from Nederman factories has increased from 85.2 percent in 2013 to 94.4 percent in 2017.

Sustainability – results

The aim of Nederman's sustainability work is to create value for our customers, our employees and our shareholders. By continuously developing our sustainability work, Nederman wants to minimise our risks, develop and refine our customer offering, identify new future business opportunities and thereby boost our financial strength even further. An important part of this work is to openly report Nederman's results in key sustainability areas.

The number of accidents has decreased somewhat from the previous year, but Nederman's ambition is to reduce the number even further. One important step in this work is in ensuring that all incidents and accidents are actually reported and that work is constantly being done to identify risks and make improvements. During the year, Nederman has improved the internal system for the reporting and processing of incidents and accidents in order to support the local plants in their work.

The quality costs remain at a good level, although somewhat higher than in the previous year. The numbers pertain to quality-related material costs in production.

Nederman has increased the proportion of renewable energy in the production from 15 percent in 2016 to 21.2 percent in 2017. Nederman constantly reduces its energy consumption and currently uses 16.2 percent less energy in relation to sales as compared with 2013. The increased proportion of renewable energy and the energy savings have resulted in a reduction of the total quantity of CO2 from energy consumption by approximately 1,000 tonnes in 2017. CO2 emissions from transports remain an area for improvement. Nederman has reduced emissions by just over 10 percent compared with 2016, but it remains at a high level. Above all, air transportation needs to be reduced.

Nederman's recovery rate continues to increase compared to previous years, and the company currently recovers 94.5 percent of all refuse, which can be compared with 85 percent in 2012. Nederman's goal is to reach 95 percent by 2020; however, at the current pace, this should be possible as early as 2018.

The share of suppliers having signed onto Nederman's code of conduct has decreased as compared with the previous year. In order to ensure that Nederman's goal is met that at least 85 percent of all purchased goods must come from suppliers that have accepted Nederman's code of conduct, the company will implement more frequent internal follow-ups.

POLICIES AND EXAMINATION

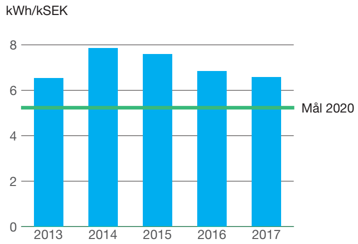
Nederman's Code of Conduct summaries the company's policies relating to social circumstances, staff, respect for human rights and countering corruption. All employees and business partners are required to abide by the Code of Conduct.

The environmental efforts comply with ISO 14001:2015. The company's Code of Conduct and environmental policy can be read at https://www.nederman.com/en/sustainability.

Compliance is monitored through internal and external audits, as well as by audits of suppliers. In 2017, 50 supplier audits were conducted. Nederman has an internal process for reporting suspected violations of the Code of Conduct. In 2017, no such report was received."

Direct energy consumption

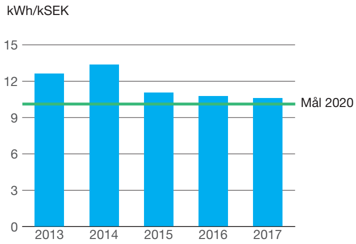
Direct energy consumption in production in relation to sales (kWh/SEK t)



The figures for 2014 onwards include acquired companies and changes in the production structure.

Total energy consumption

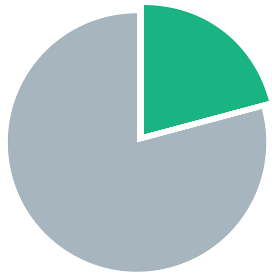
Direct energy consumption in production in relation to sales (kWh/SEK t)



The figures for 2014 onwards include acquired companies and changes in the production structure.

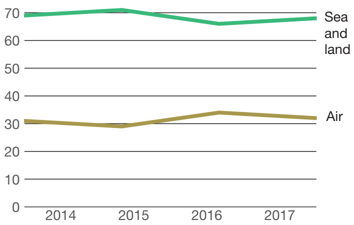
Percentage of renewable energy, %

Percentage of renewable energy in production is 21 % (15)



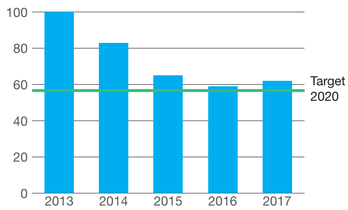
Carbon dioxide emissions per transport mode

The figures are partly based on estimates made within Nederman.

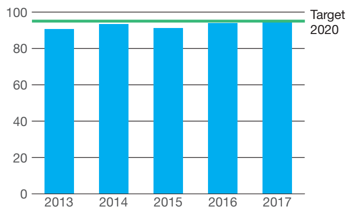


Quality failure costs

Quality failure costs in production in relation to the 2013 level, in %



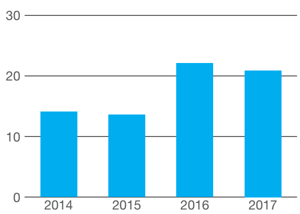
Waste recovery in production, %



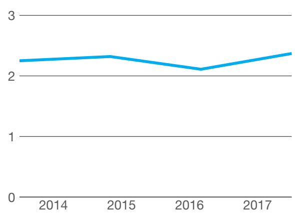
The figures for 2015 and 2016 include acquired companies and changes in the production structure.

Accidents

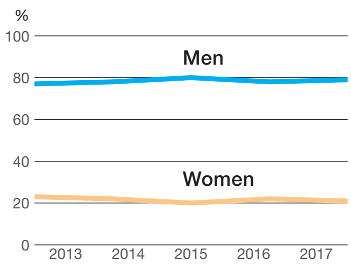
Number of accidents resulting in at least one day of sick leave per 1,000 employees



Sick leave, %



Gender diversity, %



Nederman's sustainability goals

Energy consumption

-20%

Reduce energy consumption in production by 20 percent by 2020 compared with 2013. At the end of 2017, the reduction was 16.2 percent.

CO_2 emissions

-20%

At the end of 2017, total carbon dioxide emissions increased by 22 percent, while the emissions related to sales value had decreased by just more than 20 percent.

Recovery

95%

Achieve 95 percent recycling of waste in production by 2020. At the end of 2017, recovery was 94.4 percent.

Code of conduct

100%

100 percent of the Company's external suppliers shall work in accordance with Nederman's Code of Conduct. At the end of 2017, this figure was 81 percent.

The Nederman share

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

The parent company's shareholders' equity at year-end was SEK 868.8m (789.8). The capitalisation value was SEK 2,928.8m (2,196.6).

COMMUNICATION WITH THE MARKET

Nederman's representatives meet regularly with analysts, creditors and shareholders to provide a continuous picture of developments during the financial year. Printed interim reports, financial statements and annual report are distributed to shareholders who so wish. These reports, along with the Company's press releases, are also available on the Company's website in Swedish and English.

OWNERSHIP STRUCTURE

The number of shareholders at year-end was 2,657 (2,334). Each share in Nederman gives entitlement to one vote. The percentage of Swedish shareholders was 91.3 percent (94.1). The ten largest shareholders owned 81.6 (84.7) percent of the total shares. The largest individual shareholder is Investment AB Latour. The table on the next page shows Nederman ownership at 31 December 2017.

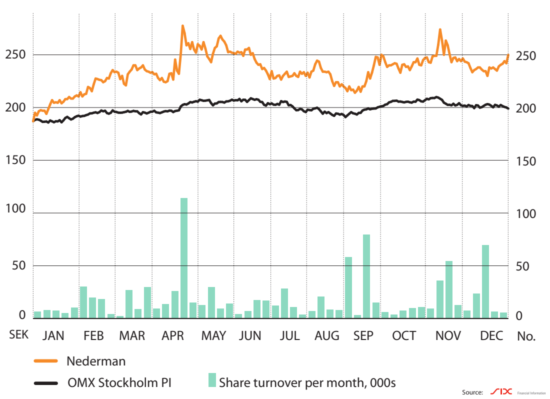
DIVIDEND AND DIVIDEND POLICY

Nederman's dividend policy is to pay a dividend amounting to 30-50 percent of net profit, taking into account the capital structure and acquisition plans. For the 2017 financial year, the Board and the CEO propose a dividend to shareholders of SEK 6.00 per share (5.50).

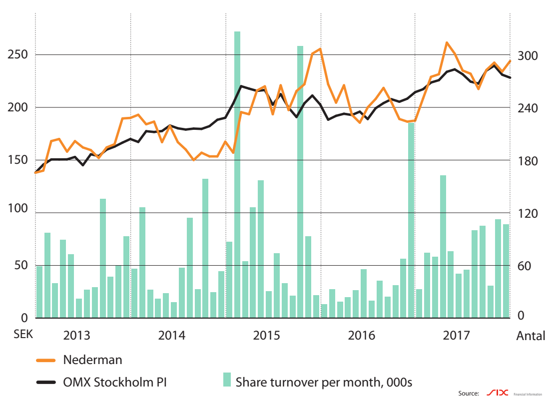
ANALYSTS WHO FOLLOW NEDERMAN

- Daniel Lindkvist from Handelsbanken, dali13@handelsbanken.se

Price and volume trend 2017



Share price and trading volume, 2013-2017



Data per share	2017	2016	2015	2014	2013
Earnings per share after tax, SEK	15.93	14.72	13.07	8.05	5.94
Share price as at 31 December, SEK	250.0	187.5	255.5	167.5	190.0
Market capitalisation, SEK m	2 928.8	2,196.6	2,993.3	1,962.3	2,225.9
Cash flow, SEK m	79.3	19.2	-68.4	39.3	41.3
Proposed dividend per share, SEK	6.00	5.50	5.00	4.00	4.00
Dividend growth, %	9.1	10.0	25.0	0.0	0.0
Yield, %	2.40	2.93	1.96	2.39	2.11
P/E ratio	15.7	12.7	19.5	20.7	31.9
Profits distributed as dividend, %	38	37	38	50	67
Shareholder's equity, SEK m	1 075.8	982.2	837.1	733.3	619.8
Issued no. of shares, 31 Dec.	11,715,340	11,715,340	11,715,340	11,715,340	11,715,340
Proposed dividend as a percentage of equity, %	6.5	6.5	7.0	6.4	7.6

Nederman's major shareholders	Shareholding	Votes, %
Investment AB Latour	3,512,829	29.98
Ernström Kapitalpartner AB	1,175,000	10.03
IF Skadeförsäkring AB	1,160,400	9.90
Swedbank Robur fonder	877,643	7.49
Lannebo Micro Cap	773 603	6.60
Fjärde AP-Fonden	595,842	5.09
Lannebo Micro Cap II	570 047	4.87
Fondita Nordic Micro Cap SR	400 000	3.41
Handelsbanken Fonder	252,157	2.15
UN Joint Staff	239,605	2.05
Other owners	2,158,214	18.43
Total	**11,715,340**	**100.00**

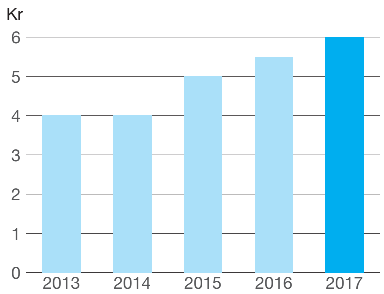
History	
1944	Company founded by Phillip Nederman.
1983	Listing on the Stockholm Stock Exchange.
1985	Active becomes the new majority shareholder. The Company was delisted.
1991	Nederman sold to Esab.
1994	Charter acquires Esab and becomes the new majority shareholder.
1999	Venture capital company EQT acquires Nederman.
2007	Listing on the Nasdaq Stockholm Small Cap list.
2010	Nederman acquires Dantherm Filtration.
2012	Nederman acquires Environmental Filtration Technologies.
2013	Nederman qualifies for Nasdaq Stockholm Mid Cap.
2014	Nederman is moved to Nasdaq Stockholm Mid Cap.
2017	Nederman acquires NEO Monitors AS

Shareholders by category, %	
Financial companies	65.17
Social security funds	7.00
Non profits	0.20
Other Swedish legal entities	11.07
Non-categorized legal entities	0.17
Private Swedish individuals	7.71
Foreign domiciled owners	8.68
Total	**100.00**

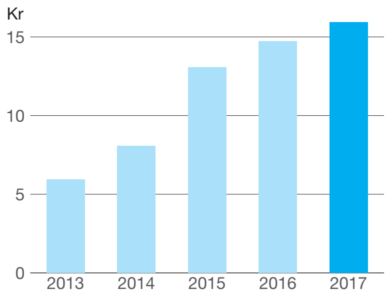
Shareholders per country, %	
Sweden	91.3
Finland	6.4
UK	1.4
Luxembourg	0.3
France	0.2
USA	0.2
Denmark	0.1
Other	0.1
Total	**100.0**

Dividend per share, SEK

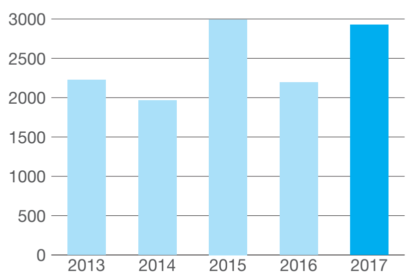
The 2017 dividend refers to the Board's proposed dividend



Earnings per share, SEK



Market capitalisation, SEK m



Review of business operations

The Board of Directors and CEO of Nederman Holding AB (publ), Swedish company reg. no. 556576-4205, hereby submit their Annual Report for the 2017 financial year.

BUSINESS

Nederman is a world-leading supplier of products and solutions in environmental technology, focusing on air filtration and recycling. The company's products contribute to reducing the environmental impact from industrial manufacturing, creating clean and safe working environments and increasing production efficiency. The business offer to customers ranges from feasibility studies and project planning to installation, commissioning and service. Manufacturing is certified in accordance with ISO 9001 and ISO 14001. Units for production and assembly are located in Australia, Brazil, Denmark, China, Norway, Poland, UK, Sweden, Thailand, Germany and the USA. Nederman has global certification for quality and the environment, in which all production units in Nederman and Nederman Holding AB are included. Sales are conducted through our own sales companies and distributors in over 50 countries. Most sales take place in Europe and North America, although Nederman is also active on a number of growth markets. The Group had 1,803 (1,743) employees at year-end.

GROUP STRUCTURE

Nederman Holding AB (publ) is the parent company of the Group with directly or indirectly wholly-owned subsidiaries as stated in note 19.

Operationally, the Group works in three geographic segments: EMEA (Europe, Middle East and Africa), Americas (North and South America) and APAC (Asia and Pacific region).

Operations is responsible for manufacturing, distribution, product care, logistics, purchasing and quality systems. Manufacturing, assembly and distribution are carried out in eleven countries on five continents.
Corporate Development is responsible for marketing and communication, strategic product planning, R&D, internal training and strategic business development.
Finance & IT and **Human Resources** are two group functions with the task of supporting operational activities and being responsible for global coordination within each function.

STOCK EXCHANGE LISTING

Since January 2014 the company's shares are listed under the "NMAN" ticker on the Nasdaq Stockholm Mid Cap list. The Mid Cap segment includes companies with a market capitalisation of between € 150 million and € 1 billion. At 31 December 2017, the number of shareholders was 2,657 (2,334).

ACQUISITIONS AND DIVESTMENTS DURING THE YEAR

On 7 November 2017, Nederman acquired 100 percent of the shares in NEO Monitors AS. NEO Monitors is a global pioneer within laser-based solutions for the measuring of gases and dust in all types of industries. NEO Monitors becomes part of Nederman Insight. NEO Monitor's trademark and team will continue as before. The solutions will be an integrated part of the Nederman Insight Applications and the digital eco system based on Connectivity and the Internet of Things. NEO Monitors AS has approximately 40 employees and in 2017 had sales of SEK 132.0 m.

INCOMING ORDERS AND SALES IN 2017

Incoming orders totalled SEK 3,157.3 m (2,992.3), which organically is an increase of 4.6 percent compared with 2016. Net sales totalled SEK 3,148.5 m (3,107.3), which organically is an increase of 0.1 percent compared with 2016.

EARNINGS

Consolidated operating profit for 2017 amounted to SEK 278.1m (250.3). Adjusted operating profit amounted to SEK 285.8m (250.3). Adjusted operating margin was 9.1 percent (8.1). Profit before tax was SEK 260.1m (231.7). Net profit was SEK 186.3m (172.1), which gave earnings per share of SEK 15.93 (14.72).

PRODUCT DEVELOPMENT

The Group's costs for the development of the existing product range and developing new products amounted to SEK 14.2 m (7.8). In the consolidated statement of financial position, SEK 6.8 m (6.7) has been capitalised.

INVESTMENTS AND DEPRECIATION/AMORTIZATION

Consolidated investments in intangible assets during the year amounted to SEK 30.1 m (26.1). Amortization of intangible assets during the year totalled SEK 23.7 m (16.5). Consolidated investments in tangible assets during the year totalled SEK 23.3 m

(19.8). Depreciation of tangible assets during the year totalled SEK 29.0 m (31.2).

CASH FLOW

The year's cash flow amounted to SEK 79.3 m (19.2) and the cash flow from the operating activities amounted to SEK 279.3 m (239.7) The cash flow has been affected positively by changes in operating capital. During the year, the cash flow has been affected by a higher investment level as compared with previous year, and by the acquisition of NEO Monitors.

LIQUIDITY AND FINANCIAL POSITION

At the end of the period the Group had SEK 360.9 m in cash and cash equivalents as well as SEK 98.4 m in available but unutilised overdraft facilities. In addition, there was available loan facility of SEK 472.7 m which is a part of Nederman's loan agreement with SEB and a further available loan facility of SEK 104.6 m within Nederman's loan agreement with SHB.

Net debt totalled SEK 585.3 m (524.3). Shareholder's equity amounted to SEK 1,075.8 m (982.2), equivalent to an equity ratio of 36.2 percent (37.0) and a financial net debt/equity ratio of 54.4 percent (53.4).

PROPOSED APPROPRIATION OF PROFITS

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

Share premium reserve	5,866,700
Retained earnings	412,971,743
Net profit for the year	143,344,159
Total SEK	**562,182,602**

The Board of directors and CEO propose a dividend to shareholders of SEK 6.00 per share	70,177,506 *
to be transferred to the share premium reserve	5,866,700
to be transferred to retained earnings	486,138,396
Total SEK	**562,182,602**

* Based on the number of shares outstanding as at 31 December 2017. The dividend amount may be subject to change as treasury shares held may be sold up to the record day of 13 April 2018.

EMPLOYEES

The average number of employees during the year was 1,757 (1,760). Other personnel information is shown in Note 7.

PARENT COMPANY

The activities of the parent company comprise Group functions. The parent company shall also own and manage shares in subsidiaries and manage the financing of the Group.

OUTLOOK

The situation in Europe continues to improve with a positive development in both incoming orders and in sales. In the United States, we also see continued stable sales in the core business, while uncertainty concerning large project is expected to remain for some time, even if we have seen a certain amount of improvement toward the end of the year. In Asia, many markets perform positively. In China, an increased level of activity within the environmental field can be noticed.

NOTICE TO ATTEND GENERAL MEETINGS OF SHAREHOLDERS

The notice to attend the Annual General Meeting shall be issued no sooner than six weeks and no later than four weeks prior to the general meeting of shareholders.

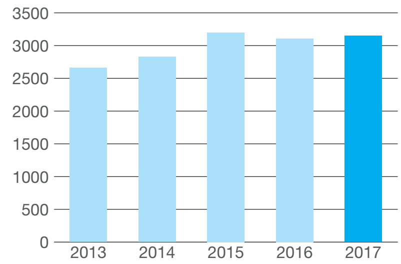
EVENTS AFTER THE END OF THE FINANCIAL YEAR

There were no significant events after the end of the reporting period.

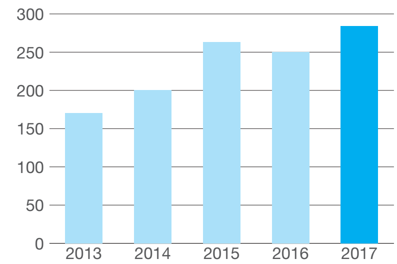
Multi-year overview

SEK m	2017	2016	2015	2014	2013
Operating revenues and earnings					
Net sales	3,148.5	3,107.3	3,198.0	2,826.9	2,659.2
EBITDA	330.8	298.0	289.9	212.9	176.7
Adjusted EBITDA	338.5	298.0	311.0	247.9	219.4
Operating profit	278.1	250.3	242.0	165.7	127.5
Adjusted operating profit	285.8	250.3	263.1	200.7	170.2
Profit before tax	260.1	231.7	214.9	139.0	99.7
Net profit	186.3	172.1	152.8	94.3	69.7
Assets, equity and liabilities					
Fixed assets	1,471.3	1,157.8	1,135.2	1,071.5	998.4
Current assets	1,499.6	1,495.6	1,430.6	1,301.6	909.7
Cash and cash equivalents	360.9	287.8	261.4	325.0	270.0
Equity	1,075.8	982.2	837.1	733.3	619.8
Interest-bearing liabilities	946.2	812.1	897.0	881.6	840.9
Non-interest-bearing liabilities and provisions	948.9	859.1	831.7	758.2	717.4
Balance sheet total	2,970.9	2,653.4	2,565.8	2,373.1	2,178.1
Profitability					
EBITDA margin, %	10.5	9.6	9.1	7.5	6.6
Adjusted EBITDA margin, %	10.8	9.6	9.7	8.8	8.3
Operating margin, %	8.8	8.1	7.6	5.9	4.8
Adjusted operating margin, %	9.1	8.1	8.2	7.1	6.4
Return on equity, %	18.1	18.9	19.5	13.9	11.4
Return on operating capital, %	18.0	16.8	19.0	16.2	14.2
Capital turnover rate, multiple	2.0	2.1	2.3	2.3	2.2
Capital structure					
Net debt	585.3	524.3	635.6	556.6	570.9
Net debt/equity ratio, %	54.4	53.4	75.9	75.9	92.1
Net debt/adjusted EBITDA, multiple	1.7	1.8	2.0	2.2	2.6
Adjusted EBITDA/net financial items, multiple	18.8	16.0	11.5	9.3	7.9
Interest cover ratio, multiple	11.8	11.8	8.9	7.0	5.8
Equity/assets ratio, %	36.2	37.0	32.6	30.9	28.5
Operating capital	1,661.1	1,506.5	1,472.7	1,289.9	1,190.7
Share data					
Number of shares on closing date	11,715,340	11,715,340	11,715,340	11,715,340	11,715,340
Average no. of shares during the year, before dilution	11,696,251	11,691,969	11,681,340	11,681,340	11,715,340
Average no. of shares during the year, after dilution	11,696,251	11,691,969	11,725,969	11,725,969	11,746,765
Equity per share, before dilution, SEK	91.98	84.00	71.66	62.78	52.90
Equity per share, after dilution, SEK	91.98	84.00	71.39	62.54	52.76
Earnings per share, before dilution, SEK	15.93	14.72	13.08	8.07	5.95
Earnings per share, after dilution, SEK	15.93	14.72	13.03	8.04	5.93
Proposed dividend per share, SEK	6.00	5.50	5.00	4.00	4.00
Employees					
Average number of employees	1,757	1,760	1,833	1,803	1,924

Sales, SEK m

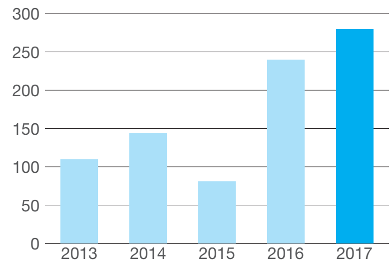


Adjusted operating profit, SEK m

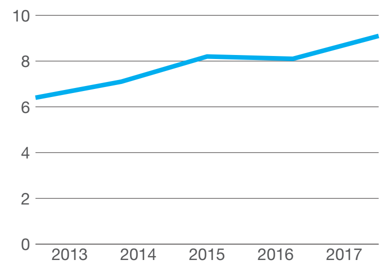


Cash flow, SEK m

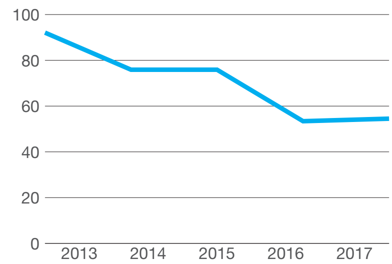
From operating activities



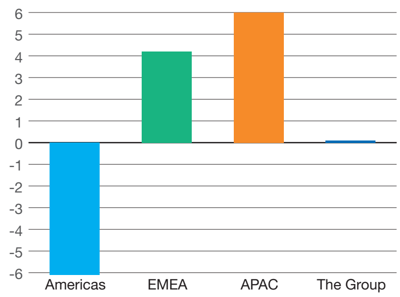
Adjusted operating margin, %



Net debt/equity ratio, %

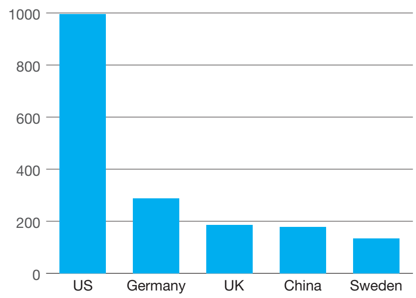


Organic sales growth in 2017, %

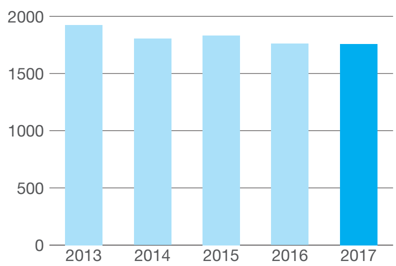


Largest markets in 2017

Sales, SEK m



Average number of employees



Risk management

Nederman is subject to a number of risks. The table below provides an overview of the most common risks and how they are reduced.

Risks	Policy / Action
Financial risks	
The Nederman Group is exposed to a number of financial risks, mainly in connection with purchasing and sales of products in foreign currencies. Exchange rates and interest rates affect the Group's results and cash flows. The Group is also exposed to refinancing and liquidity risk as well as credit and counterparty risk.	The Company's financial policy established by the Board of Directors provides guidelines for the management of financial risks within the Group. The central finance function of the Group is responsible for identifying and effectively limiting the financial risks. For further information, see note 24.
Market and competition	
Nederman operates globally in a market characterised by a fragmented competitive picture and by cyclical variations in demand. Nederman's position is currently relatively strong, but it cannot be excluded that changes in the market driven by inflation, interest rate changes, general economic conditions, political decisions, competitive structure etc. may expose the Company to pressure in terms of pricing, market position, competitiveness, or others. The Group's incoming orders can also vary between quarters depending on the timing when large orders are received.	The Company follows and continuously monitors the general economic development, relevant legislation, industry-specific activity levels and trends, competitors' performance and activities in most markets where it operates, with the aim of adapting the relevant parts of its strategy, market positioning and communication, offer etc.
Products and services	
The product does not meet Nederman's or the customers' requirements.	ISO9001 has been introduced in order to ensure that the products meet specific standards. Risk analysis and reviews are carried out to ensure that the requirements are understood and feasible and processes are established to ensure that products meet the requirements.
Supply Chain	
Disruption in the supply chain due to fire, flood, power outage or major machinery failure.	Identification of risks and minimisation of the consequences through business continuity planning.
Risks of concentrating plants in one location.	Identification of risks and minimisation of the consequences through business continuity planning.
Infringement of the Code of Conduct.	Suppliers must comply with Nederman's Code of Conduct. Follow-up via self-assessment by suppliers and audits.
Price changes to raw materials and components.	Work with suppliers, cost savings, negotiations etc.
PRODUCTION	
Production disruptions due to fire, power failure or machinery malfunction.	Identification of risks and minimisation of the consequences through business continuity planning.
Deliveries do not meet Nederman's or the customers' requirements.	ISO9001 is introduced at all operational locations to ensure that processes are established so that deliveries shall meet customer requirements. Monitoring of work to improve results and constant improvement.

Risks	Policy / Action
Health and safety	
Health and safety issues at Nederman's production facilities.	Monitoring of incidents and accidents plus continual improvement.
Health and safety issues in regard to installation of Nederman's products.	Identification of risks as a part of the service process Planning of services, which includes skilled personnel, equipment, protective equipment.
Health and safety risks relating to technical defects or deficiencies in Nederman's products.	Nederman's overall commitment to quality assurance ensures product quality and function. Ensuring that legal requirements for safety, such as the Machinery Directive and the ATEX Directive, are complied with in full.
Health and safety issues at Nederman's suppliers.	Audits and monitoring of compliance with the Code of Conduct.
Risks related to the Code of Conduct	
Infringement of the Code of Conduct by Nederman's personnel.	Training in the Code of Conduct for managers and employees. Training in the fight against corruption and fraud for managers.
Infringement of the Code of Conduct by distributors or other business partners.	Training in the Code of Conduct for managers and employees. Business partners must adhere to Nederman's Code of Conduct.
Security risks	
Unauthorised access to information or property that belongs to Nederman, its employees or customers.	Training in security issues for managers. Introduction of security policy and procedures.
Environmental risks	
Incidents at Nederman's plants, e.g. chemical discharges, floods or fires that may affect the environment.	ISO14001 has been introduced at all production facilities to ensure that environmental impact is evaluated and that risks are identified. This also includes contingency plans to ensure that the impact of incidents is minimised.
Major environmental impacts from Nederman's suppliers.	Assessment of environmental impact in the value chain. Identification of risk suppliers. Audits and monitoring of improvement measures.
Legal risks	
Legal infringement at one of Nederman's locations.	Part of the CEO's responsibility. ISO14001 provides a structure for monitoring environmental legislation.
Legal risks related to business operations, such as delayed deliveries, delivery of defective products, unfulfilled commitments.	Contract terms which are formulated with care aimed at reducing Nederman's liability.

Corporate governance

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

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

Governance of the Nederman Group takes place through the shareholders via the General Meeting of Shareholders, the Board of Directors, the CEO and the senior executive management of Nederman in accordance with, among other things, the Swedish Companies Act, other laws and regulations, the Articles of Association and the Rules of Procedure for the Board of Directors. Considering Nederman's group structure, the composition of the board of directors in operating subsidiaries, often with representatives from the executive management team, constitutes yet another share of governance for the Group.

SHAREHOLDERS

At the end of 2017 the Company had 2,657 shareholders. Investment AB Latour was the largest shareholder with 29.98 percent of the shares, Ernström Kapitalpartner AB owned 10.03, and IF Skadeförsäkring AB owned 9.90 percent. The ten largest shareholders held a total shareholding equivalent to 81.57 percent of the shares. Foreign investors held 8.68 percent of the shares. For further information on shares and shareholders, see pages 42-43.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is the highest decision-making body in which shareholders can exercise their influence by voting on key issues, such as adoption of income statements and balance sheets, allocation of the Company's profit, discharge from liability of board members and the Chief Executive Officer, election of board members, Chairman of the Board and auditors, as well as remuneration to the board of directors and auditors. The AGM was held in Helsingborg on 19 April 2017. The meeting was attended by 40 shareholders, representing 79.74 percent of the total shares and votes in the Company.

The meeting adopted the income statement and balance sheet, and the consolidated income statement and balance sheet, resolved to distribute the profit according to the proposal for the appropriation of profit entailing that a dividend of SEK 5.50 per share be paid for the 2016 financial year, and granted discharge from liability for the Directors and CEO.

The General Meeting granted authorisation to the Board to decide that the Company may issue new shares or repurchase the Company's own shares.

The meeting decided in accordance with the proposal in the notification of the meeting to elect seven Board members, that the fees to be paid to the Board would total SEK 1,575,000, of which SEK 450,000 to the Chairman and SEK 225,000 to each of the other Board members, except the CEO. It was also resolved that no fees be paid to the Compensation Committee and that the auditors be paid against account submitted. According to the Nomination Committee's proposal, it was decided to re-elect Jan Svensson as Chairman of the Board, and to re-elect Gunnar Gremlin, Per Borgvall, Ylva op den Velde Hammargren, Johan Menckel, Gunilla Fransson and Sven Kristensson as Board members.

NOMINATION COMMITTEE

The 2017 AGM adopted instructions for the Nomination Committee concerning the appointment of the Nomination Committee and its tasks. According to the instructions, the nominations committee will consist of one representative from each of the three largest shareholders and the Chairman of the board. If any of the three largest shareholders decline from their right to appoint a representative to the committee, then the right will pass to the next largest shareholder. The nominations committee's tasks will be to prepare proposals, before the next AGM, for electing the Chairman of the board and other board members, election of the Chairman of the meeting, remuneration issues and related issues, and where applicable, election of auditors.

In accordance with the AGM's guidelines for the Nomination Committee's work, Anders Mörck (Investment AB Latour, President), Göran Espelund (Lannebo Fonder), Fabian Hielte (Ernström & Co.) and Fredrik Ahlin (IF Skadeförsäkring AB) have been appointed to the Nomination Committee for the 2018 Annual General Meeting. Jan Svensson, Chairman of Nederman's Board, is adjunct to the Nomination Committee. For any questions con-

Overall structure of corporate governance in Nederman

cerning the Nomination Committee's work, please contact Anders Mörck at anders.morck@latour.se.

BOARD OF DIRECTORS

The board of directors is the second highest decision-making body after the General Meeting of Shareholders. The overall assignment of the board is to decide on the Company's business direction, its resources and capital structure, as well as its organisation and management. The board's general obligations also include continuously evaluating the Company's financial situation and approving the Company's business plan. In its general undertaking, the board addresses issues such as the Company's strategy, acquisitions, major investments, divestments, issuing annual reports and interim reports, as well as appointing the Chief Executive Officer, etc.

The board of directors follows written procedures that are adopted annually at the first board meeting. The rules of procedure direct how the work, where appropriate, shall be divided among the Board members, the frequency of board meetings and the extent to which deputies shall participate in the work of the Board and attend meetings. In addition, the rules of procedure regulate the board's obligations, quorum, division of responsibilities between the board and the CEO, etc. The board meets according to an annual schedule that is decided in advance. In addition to these meetings, additional meetings are held in connection with events of unusual importance. In addition to meetings, the Chairman of the board and the Chief Executive Officer conduct an ongoing dialogue with respect to managing the Company.

Once a year the board evaluates the Management team in a systematic fashion. In this context, the Management team includes certain non-senior managers, i.e. broader group of employees.

In recent financial years, the Board had to consider many issues of strategic importance. Particular importance has been given in 2017 to the acquisition and continued adjustment of the Group's capacity and costs to the prevailing economic conditions, the Group's strategy for continued expansion and the Group's financial framework and objectives. The Board had five formal meetings in 2017 and has had one formal meeting so far in 2018. The 2017 AGM decided that the fees to the Board shall be a total of SEK 1,575,000 to be distributed with SEK 450,000 to the Chairman and SEK 225,000 to each of the other Board members, except for the CEO. It was further decided that no remuneration be paid to the remuneration committee and that the auditors be paid on current account.

The AGM elects board members annually for the time until the next AGM is held. The board of directors shall consist of at least three and no more than eight ordinary members and may be supplemented with a maximum of three deputies. In addition to this there may be employee representatives. Board members are elected annually at the AGM for the period until the next AGM. The Board members elected by the General Meeting are all independent in relation to major shareholders and all, with the exception of the CEO, are independent of the Company and its corporate management. The Board thus meets the Code's requirements for independent Board members. The Members of the Board of Directors are presented on page 54 and at nedermangroup.com.

The main shareholder and the Board members conduct a detailed evaluation of the Board annually. The evaluation regards among other things the board's composition, board members and the board's work and routines. The nomination committee has received the written evaluation done by the work of the board and has also obtained a report of the board's work from the chairman of the board.

Nederman's board consists of seven directors elected at the 2017 Annual General Meeting. The CEO is a member of the Board of Directors. The Chief Financial Officer is not a member of the board of directors but participates at meetings by presenting information. The Chairman of the Board does not participate in the operational management of the Company.

Attendance at Board meetings

Jan Svensson	5 of 5 possible
Per Borgvall	5 of 5 possible
Gunilla Fransson	4 of 5 possible
Gunilla Gremlin	5 of 5 possible
Ylva op den Velde Hammargren	4 of 5 possible
Sven Kristensson	5 of 5 possible
Johan Menckel	5 of 5 possible

CHIEF EXECUTIVE OFFICER (CEO)

The division of work between the Board and the CEO is regulated in the rules of procedure for the Board and in the instructions for the CEO. The CEO is responsible for implementing the business plan as well as day-to-day management of the Company's affairs and the daily operations of the Company. This means that the CEO is entitled to make decisions on issues that fall within the scope of the ongoing management of the Company. The CEO may also, without authorisation from the Board, take measures which, with regard to the scope and nature of the Company's operations, are of an unusual nature or of major significance and if the Board's decision cannot be waited for without significant disadvantage to the Company's operations. The instructions for the CEO also regulate his/her responsibilities for reporting to the Board. The board receives a monthly written report containing information following up the Company's sales, orders statistics, operating results and working capital's developments. Moreover, the material contains comments from the CEO and the Chief Financial Officer e.g. brief comments on the different markets. During months when the board meets the monthly report is more extensive and also includes statements of the financial position and cash flow statement, among other things.

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

COMMITTEES

Questions about salary structuring and benefits for the Chief Executive Officer and management are addressed and approved by a remuneration committee. This committee consists of chairman Jan Svensson. The committee is a body within the Company's Board with the task of preparing matters concerning remuneration and other employment terms for senior executives and drawing up the guidelines for remuneration for senior executives which the Board shall propose to the AGM to decide on. The remuneration committee has had one meeting in which minutes were taken in 2017.

The 2017 Annual General Meeting resolved on principles for remuneration to the Chief Executive Officer and senior executives, which is presented in greater detail under the subheading 'Remuneration to the board of directors and senior executives' below.

Nederman has determined that the entire Board of Directors shall constitute the Audit Committee. The Company's auditor informs the full Board of the results of his/her work by attending a Board meeting at least once a year to present an account of the year's audit and his/her view of the Company's internal control system without the presence of any of the Company's senior executives. Therefore Nederman complies with the demand on having an audit committee within the framework of the Swedish Code for Corporate Governance. The principles for remuneration to the Company's auditor are resolved by the AGM. The 2017 AGM agreed to establish instructions for the nominations committee concerning the composition of the committee and its assignments. The nominations committee shall comprise the Chairman of the board and two representatives. Once a year the committee shall convene the major shareholders well in advance of the AGM in order to gain support for proposals to the AGM's election of a new board of directors.

AUDITOR

The auditor audits the Company's annual reports and accounting, as well as the management of the board of directors and the Chief Executive Officer. The auditor submits an audit report to the AGM after each financial year. From 2011, the AGM appoints the auditor(s) for a period of one year. At the AGM held on 19 April 2017, Ernst & Young AB was elected with Staffan Landén as auditor in charge until further notice. Staffan Landén is an authorized public accountant and member of FAR (the institute for the accounting profession in Sweden). Staffan Landén has many years of experience auditing listed companies and major international audit assignments. He is currently the responsible auditor for, among other companies, Vattenfall AB, Polygon AB, Semcon AB, Thomas Concrete Group AB and National Electric Vehicle Sweden AB (NEVS). Staffan Landén is an exchange auditor appointed by Nasdaq Stockholm. The Company's auditor audits the annual accounts and financial statements and the Company's current operations and routines, to make an opinion on the accounting and management of the board of directors and the Chief Executive Officer. The annual accounts and financial statements are reviewed during January and February. In addition to Nederman, Staffan Landen is the auditor of Oxeon AB in which Latour AB has a 31.08 percent shareholding. Independence in regard to Nederman is not affected. Staffan Landén does not otherwise have any assignments in companies over which Nederman's principal shareholders, board members or Chief Executive Officer have any material influence. Fees for services to Ernst & Young AB other than auditing amounted in 2017 to SEK 0.7 m and mainly relate to tax advice and audit-related services.

REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

The 2017 AGM adopted a policy regarding remuneration and employment terms for 2017. The proposal for the 2018 AGM is that the policy remains unchanged. The following main principles are applied: A fixed salary for satisfactory work. In addition, there is the opportunity for variable compensation linked to the Company's earnings and capital tied up. The variable compensation can amount to a maximum of 30–50 percent of the fixed annual salary depending on the individual's position of employment with the Company.

The CEO's pension plan is a defined contribution plan with an annual premium equivalent to 35 percent of the annual basic salary. Pension payments for other senior executives follow the ITP collective agreement, except for two executives for whom pension payments amount to 8 times the basic index amount per year and 30 percent of basic salary, respectively. If the CEO resigns, the term of notice is six months. If the Company terminates the CEO's employment, the CEO will be entitled to a sum equivalent to 18–24 monthly salaries (the last six months with reservation for new employment). For other senior executives, a 12-month period of notice for termination by the Company and six-months for resignation by executives, will apply. No agreements exist between Board members or senior executives and Nederman or any of its subsidiaries in regard to benefits after the end of their terms or positions of employment.

The Annual General Meeting held on 19 April 2017 approved the Board's proposal that the annual programmes for variable remuneration shall be able to be supplemented by a programme for long-term bonuses (LTI). The 2017-2018 LTI programme has been adopted for a minimum period of two years, and objectives shall be set in such a way that there shall be a particularly favourable development for the Company's shareholders. The outcome of the LTI programme which accrues to the senior executive (net after income tax), shall be reinvested in options or Nederman shares bought on the stock exchange. Options or Nederman shares will only be possible on condition of approval by the relevant future Annual General Meeting of Nederman. The reinvested shares and options shall be retained by the senior executive during the employment, though for at least three years. The 2017-2018 LTI programme covers two years and amount in maximum to 35 percent of the annual salary for the CEO and 20 percent of annual salary for other senior executives.

INTERNAL CONTROLS

Control environment. Operational decisions are made at a company or business area level, while decisions about strategy, aims, acquisitions and comprehensive financial issues, are made by the parent company's board and Group management. The internal controls at the Group are designed to function in this organisation. The Group has clear rules and regulations for delegating responsibility and authority in accordance with the Group's structure. The platform for internal controls concerning financial reporting consists of the comprehensive control environment and organisation, decision processes, authority and responsibility that is documented and communicated. In the Group the most significant components are documented in the form of instructions and policies, e.g. financial manuals, ethics policy (Code of Conduct), communication policy, IT policy, financial policy and authorization lists. Nederman has a simply legal and operative structure and has drafted a governing and internal control system. The board follows up on the organisation's assessment of the internal control function, by means of, among other things, being in contact with Nederman's auditors. For this reason, the board has chosen not to conduct any particular internal audit.

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

Information and communication. Documentation of governing policies and instructions are constantly updated and communicated in electronic or printed format. For communication with external parties, there is a communication policy, which provides guidelines to ensure that the Company's information obligations are met in a correct and complete manner.

Follow-up. The CEO is responsible for the internal controls being organised and followed up according to the guidelines that the board has decided on. Financial management and control is carried out by the Group's financial department. Financial reporting is analysed monthly and at a detailed level. At its meetings, the Board has dealt with the Company's financial situation and has also received reports from the Company's auditors on their observations.

ARTICLES OF ASSOCIATION

The Articles of Association include establishment of the Company's activities, the number of Board members and auditors, how notice of the Annual General Meeting shall be made, treatment of matters at the Annual General Meeting and where the meeting shall be held. The current Articles of Association were adopted at the AGM on 26 April 2011 and are available on the Company's website www.nedermangroup.com and in the 2017 Annual Report on page 109.

Board of Directors

Jan Svensson (1956)
Chairman of the Board
Board member and chairman since 2008

- President and board member of Investment AB Latour
- Chairman of the Board of AB Fagerhult, Tomra Systems ASA and Troax Group AB
- Board member of Alimak Group, ASSA ABLOY and Loomis
- Owns 5,000 shares in Nederman

Per Borgvall (1958)
Elected Board member
Board member since 2008

- Board member of Troax Group AB and Louis Poulsen Lighting A/S
- Chairman of the Board of Wallvision AB
- Does not own any shares in Nederman

Gunilla Fransson (1960)
Elected Board member
Board member since 2016

- Board member of Eltel AB, NetInsight AB, Enea AB, Trelleborg AB, Permobil AB, ProOpti AB.
- Chairman of the Board and partner in Novare Peritos.
- Does not own any shares in Nederman

Gunnar Gremlin (1945)
Elected Board member
Board member since 1999

- Chairman of the Board of Dyckerhoff AG and Gremlin Restaurang & Vin AB
- Board member of Lonestar Inc
- Owns 43,939 shares in Nederman

Ylva op den Velde Hammargren (1966)
Elected Board member
Board member since 2011

- Business Transformation and CRM Manager, Industrial Sales, AB SKF
- Does not own any shares in Nederman

Sven Kristensson (1962)
CEO and elected Board member
Board member since 2008

- CEO and Group CEO of Nederman Holding AB
- Chairman of the Board of BK PAC AB, Diedenporten AB, Scanbur A/S and Kristensson Holding AB
- Deputy Chairman of the Board of Dr P Håkanssons Stiftelse
- Board member of Swegon AB
- Owns 110,096 shares in Nederman

Johan Menckel (1971)
Elected Board member
Board member since 2016

- CEO of Gränges AB
- Board member of Svenska Postkodföreningen AB
- Does not own any shares in Nederman

Senior executives

Sven Kristensson (1962)
CEO and
Group CEO

- Employed since 2001
- Owns 110,096 shares in Nederman

Matthew Cusick (1977)
Senior Vice President
CFO

- Employed since 2011
- Owns 300 shares in Nederman

Hans Dahlén (1968)
Senior Vice President
Division EMEA

- Employed since 2013
- Owns 566 shares in Nederman

Per-Ove Eriksson (1956)
Senior Vice President
Duct & Filter Elements

- Employed since 1996
- Owns 21,425 shares in Nederman

Tomas Hagström (1976)
Senior Vice President
Division Americas

- Employed since 2017
- Does not own any shares in Nederman

Per Lind (1957)
Senior Vice President
Global Strategic Accounts

- Employed since 2007
- Owns 4,995 shares in Nederman

Eva Carin Svensson (1964)
Senior Vice President
HR

- Employed since 2009
- Owns 1,547 shares in Nederman

Aage Snorgaard (1963)
Senior Vice President
Nederman Insight

- Employed since 2017
- Does not own any shares in Nederman

Consolidated income statement

SEK m	Note	1 January - 31 December 2017	2016
Net sales	2, 3	3,148.5	3,107.3
Costs of goods sold		-1,948.6	-1,996.3
Gross profit		**1,199.9**	**1,111.0**
Other operating income	5	6.8	21.5
Selling expenses		-662.7	-648.1
Administrative expenses		-222.2	-209.0
Research and development expenses		-14.2	-7.8
Acquisition costs	4	-7.7	-
Other operating expenses	6	-21.8	-17.3
Operating profit	3, 7, 8, 9, 20, 25	**278.1**	**250.3**
Financial income		6.8	2.8
Financial expenses		-24.8	-21.4
Net financial items	10	**-18.0**	**-18.6**
Profit before tax		**260.1**	**231.7**
Taxes	11	-73.8	-59.6
Net profit for the year		**186.3**	**172.1**
Net profit attributable to:			
Parent company's shareholders		186.3	172.1
Earnings per share	18		
before dilution (SEK)		15.93	14.72
after dilution (SEK)		15.93	14.72

Consolidated statement of comprehensive income

SEK m	Note	1 January - 31 December 2017	2016
Net profit for the year		**186.3**	**172.1**
Other comprehensive income			
Items that cannot be reclassified to the income statement			
Revaluation of defined-benefit pension plans	20	-3.3	-2.3
Tax attributable to items that cannot be reclassified to net profit		0.7	0.6
		-2.6	**-1.7**
Items that have been or can be reclassified to net profit			
Exchange differences arising on translation of foreign operations		-28.2	34.8
Cash flow hedging	17	3.1	-2.8
Tax relating to items that can be reclassified to the income statement	17	-0.7	0.6
		-25.8	**32.6**
Other comprehensive income for the year, net after tax		**-28.4**	**30.9**
Total comprehensive income for the year		**157.9**	**203.0**
Total comprehensive income attributable to:			
Parent company's shareholders		157.9	203.0

Consolidated statement of financial position

SEK m	Note	2017	31 December 2016
Assets	4, 26		
Intangible fixed assets	12	1,196.7	827.8
Tangible fixed assets	13	252.4	263.8
Long-term receivables		5.4	5.5
Deferred tax assets	11	16.8	60.7
Total fixed assets		**1,471.3**	**1,157.8**
Inventories	15	386.8	380.6
Tax assets	11	61.3	71.5
Accounts receivable	24	529.5	525.1
Prepaid expenses and accrued income	16	21.7	27.5
Other receivables	14	139.4	203.1
Cash and cash equivalents	28	360.9	287.8
Total current assets		**1,499.6**	**1,495.6**
Total assets	3	**2,970.9**	**2,653.4**
Equity	17		
Share capital		1.2	1.2
Other capital contributed		345.9	345.9
Reserves		33.0	58.8
Retained earnings including net profit		695.7	576.3
Equity attributable to the parent company's shareholders		**1,075.8**	**982.2**
Total equity		**1,075.8**	**982.2**
Liabilities	4, 26		
Long-term interest-bearing liabilities	19, 24	822.5	702.4
Other long-term liabilities	22	153.7	1.4
Pension provisions	20	123.4	109.2
Other provisions	21	9.5	6.5
Deferred tax liabilities	11	17.0	20.9
Total long-term liabilities		**1,126.1**	**840.4**
Current interest bearing liabilities	19, 24	0.3	0.5
Accounts payable	24	298.9	315.2
Current tax liabilities	11	57.1	55.0
Other liabilities	22	238.6	277.0
Accrued expenses and prepaid income	23	148.6	156.9
Provisions	21	25.5	26.2
Total current liabilities		**769.0**	**830.8**
Total liabilities	3	**1,895.1**	**1,671.2**
Total equity and liabilities		**2,970.9**	**2,653.4**

For information on the Group's pledged assets and contingent liabilities, see note 26.

Consolidated statement of changes in equity

	Equity attributable to the parent company's shareholders					
SEK m	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Retained earnings incl. this year's profit	Total equity
Opening equity 01/01/2016	1.2	345.9	25.1	1.1	463.8	837.1
Net profit for the year	–	–	–	–	172.1	172.1
Other comprehensive income						
Change in translation reserve for the year	–	–	34.8	–	–	34.8
Cash flow hedging after tax	–	–	–	-2.2	–	-2.2
Revaluation of defined-benefit pension plans, net after tax	–	–	–	–	-1.7	-1.7
Total other comprehensive income	**–**	**–**	**34.8**	**-2.2**	**-1.7**	**30.9**
Total comprehensive income for the year	**–**	**–**	**34.8**	**-2.2**	**170.4**	**203.0**
Transactions with Group's owners						
Dividend paid	–	–	–	–	-58.4	-58.4
Share-based remuneration	–	–	–	–	0.5	0.5
Closing equity 31/12/2016	**1.2**	**345.9**	**59.9**	**-1.1**	**576.3**	**982.2**
Opening equity 01/01/2017	1.2	345.9	59.9	-1.1	576.3	982.2
Net profit for the year	–	–	–	–	186.3	186.3
Other comprehensive income						
Change in translation reserve for the year	–	–	-28.2	–	–	-28.2
Cash flow hedging after tax	–	–	–	2.4	–	2.4
Revaluation of defined-benefit pension plans, net after tax	–	–	–	–	-2.6	-2.6
Total other comprehensive income	**–**	**–**	**-28.2**	**2.4**	**-2.6**	**-28.4**
Total comprehensive income for the year	**–**	**–**	**-28.2**	**2.4**	**183.7**	**157.9**
Transactions with Group's owners						
Dividend paid	–	–	–	–	-64.3	-64.3
Closing equity 31/12/2017	**1.2**	**345.9**	**31.7**	**1.3**	**695.7**	**1,075.8**

Consolidated cash flow statement

SEK m	Note	1 January - 31 December 2017	2016
Operating activities			
Operating profit		278.1	250.3
Adjustment for:			
Depreciation and amortisation of fixed assets		52.7	47.7
Other adjustments	28	3.6	-23.4
Interest received		2.9	2.8
Interest paid		-24.8	-19.7
Income tax paid		-46.0	-62.2
Cash flow from operating activities before changes in working capital		**266.5**	**195.5**
Cash flow from changes in working capital			
Increase (-)/Decrease(+) of inventories		9.7	-34.4
Increase (-)/Decrease(+) of operating receivables		62.6	63.9
Increase (+)/Decrease (-) of operating liabilities		-59.5	14.7
		12.8	**44.2**
Cash flow from operating activities		**279.3**	**239.7**
Investing activities			
Capital expenditure for tangible fixed assets		-23.3	-19.8
Sale of tangible fixed assets		1.8	3.2
Capital expenditure for capitalised development costs		-6.8	-6.7
Capital expenditure for other intangible fixed assets		-23.3	-19.4
Sale of intangible fixed assets		-	0.2
Acquisition of subsidies/business, net of cash	4	-233.3	5.2
Sale of financial assets		-0.2	-
Cash flow from investing activities		**-285.1**	**-37.3**
Financial activities			
New loans		149.6	14.7
Change in interest-bearing liabilities		-0.2	-1.4
Amortisation of loans		-	-138.1
Dividend paid to parent company shareholders		-64.3	-58.4
Cash flow from financing activities		**85.1**	**-183.2**
Cash flow for the year		**79.3**	**19.2**
Cash and cash equivalents at the beginning of the year		287.8	261.4
Translation differences		-6.2	7.2
Cash and cash equivalents at the end of the year	28	**360.9**	**287.8**

1 Accounting principles

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

COMPLIANCE WITH LAWS AND ACCOUNTING POLICIES

The consolidated Financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Furthermore, RFR 1, Supplementary accounting regulations for groups, issued by the Swedish Financial Reporting Board (RFR), has been applied. Nederman Holding AB's annual report and consolidated statements were approved and signed by the board on 14 March 2018. The income statement, balance sheet and statement of comprehensive income for the parent company, along with the consolidated income statement, consolidated statement of comprehensive income and the financial position of the Group will be subject to adoption at the Annual General Meeting on 19 April 2018.

CHANGES THAT CAME INTO EFFECT FROM 1 JANUARY 2017

For the first time, the Group applies the new and modified standards and interpretations in this annual report as shall be applied for the financial year beginning on 1 January 2017 or later. Except for the changes mentioned below, these have not had any significant effect on the Group's financial reports. No new or modified IFRS standards have been applied in advance.

IAS 7, Statement of Cash Flows (change)

IAS 7 has been changed and involves increased disclosure requirement on changes in liabilities attributable to the financial operation. The Group submits the information in Note 28, Statement of Cash Flow

CHANGES THAT WILL COME INTO EFFECT IN 2018 AND BEYOND

A number of new and modified IFRS standards have not yet taken effect and have not been applied in advance upon the preparation of the Group's financial reports. Below there is a description of the IFRS standards that come into effect in the upcoming financial year.

IFRS 9 Financial Instruments

IFRS 9 encompasses the accounting of financial assets and liabilities, and it replaces IAS 39. IFRS 9 Financial Instructions takes effect on 1 January 2018 and the Group will apply it as of this date.

Similar to IAS 39, financial assets are classified into various categories, of which some are valuated at amortised cost and others at fair values. Financial instruments currently valued at the fair value will continue to be valuated at their fair value. Capital expenditures in debt instruments will be valuated at fair value via other comprehensive income. The Group has made the assessment that loans and receivables, as well as trade payables and loans will also continue to meet the criteria to be posted to amortised cost. Since IFRS 9 does not contain any change in general principles for hedge accounting, the application of IFRS 9 will not affect the Group's financial reports in any essential regard.

The new impairment method requires that provisions for dubious receivables be posted based on the anticipated credit losses for the remaining duration, instead of for the already-occurring credit losses, which is the case according to IAS 39. The change results in earlier provisions for dubious receivables.

In 2017, the Group analysed the effects of a transition to IFRS 9. In summary, IFRS 9 results in no effect on the Group's financial position.

IFRS 15, Revenues from contracts with customers

IFRS 15 replaces all previously issued standards and interpretations addressing revenues with a single model for revenue accounting. According to IFRS 15, revenue shall be recognised when a promised good or service is delivered to the customer, which can occur over time or at a specific moment. The revenue shall consists of the amount the company expects to obtain as remuneration for the transferred good or services.

IFRS 15 comes into effect for financial years beginning 1 January 2018 or later. The standard will be applied by the Group as of this date and be fully retroactive. The Group has evaluated the effects of IFRS 15 and does not expect any impact on the Group's revenues and earnings from contracts with customers. The reporting of revenues from the sale of products and services will be recognised at the moment that control is transferred to the customer. The reporting of revenues from sales of solutions will continue to be recognised over time, since separate performance commitments cannot be identified and solutions contain a substantial share of customisation.

IFRS 16 replacing IAS 17 from 1 January 2019

According to the new standards, lessees shall report the commitment to pay leasing fees as a leasing liability in the balance sheet. The right to utilise the underlying asset during the leasing period is recognised as an asset. Depreciation of the assets is recognised in the income statement similarly to interest on a leasing liability. Paid leasing fees are posted both as a payment of interest, and as an amortisation of a leasing liability. The standard makes an exception for leasing contracts with leasing periods of less than 12 months (short-term leasing contracts) and leasing contracts pertaining to assets of a low value. During the year, the Group has begun evaluating the effects of the standard. Both reported assets and liabilities are expected to increase. Moreover, the income statement and financial operations in the statement of cash flow will be affected somewhat, but no reliable estimate of the relevant amounts has yet been able to be made.

VALUATION PRINCIPLES APPLIED DURING THE PREPARATION OF THE PARENT COMPANY'S AND THE CONSOLIDATED FINANCIAL STATEMENTS

Assets and liabilities are prepared on an historic acquisition cost basis, apart from financial assets and liabilities valued at fair value via the result. This category is principally made up of derivative instruments, which are stated at fair value.

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

Items included in the financial statements of the various entities of the Group are valued in the currency used in the financial environment of the companies (functional currency). The consolidated accounts use SEK, which is the parent company's functional currency and presentation currency. All amounts, unless otherwise stated, are stated in SEK m (million).

CRITICAL ACCOUNTING ESTIMATES AND ASSESSMENTS

The company management and board of directors make assessments, estimates and assumptions about the future that affect the recorded assets, liabilities, income and expenses and other information reported, including contingent liabilities. These assessments are based on historical experience and assumptions that are considered reasonable in existing circumstances. The actual results might deviate from these estimates and assessments. Estimations and assumptions are reviewed regularly. Changes in estimates and assessments are reported during the period when the change is made if the change only affects that period, or in the period when the change is made and future periods if the change affects both the current period and future periods. Assessments that have a significant impact on the Group's earnings and financial position are described in Note 31.

SEGMENT REPORTING

The Group's business is managed and reported by operating segment, based on geographic distribution. These segments form the basis for the highest executive decision-maker's allocation of the Group's resources. The segments are measured and consolidated according to the same accounting principles as the Group in total. Intra-Group sales within segments are performed on market terms. The results of the operating segments include results up to the level of adjusted operating profit. Assets and liabilities include directly attributable items as well as items that can be divided in a reasonable way.

The Group's operating segments are:
- EMEA (Europe, Middle East and Africa)
- APAC (Asia and Oceania)
- Americas (North and South America)

Descriptions of the operating segments are given on pages 22-33.

CLASSIFICATIONS

Fixed assets and long-term liabilities consist essentially of amounts expected to be recovered or paid back later than twelve months from the balance sheet date. The current assets and current liabilities consist essentially of amounts, which are expected to be regained or paid out within twelve months, calculated from the close of the reporting period and amounts for which the Group does not have an unconditional right to delay settlement of the debt for at least 12 months after the end of the reporting period.

CONSOLIDATION PRINCIPLES

Subsidiaries

Subsidiaries are companies in which Nederman Holding AB has a controlling influence. A controlling influence exists if Nederman Holding AB has influence over the investment object, is exposed to or has a right to variable yields from its involvement and can use its influence over the investment to affect yield. In assessing whether there is controlling influence, consideration is given to shares linked to voting rights. Business acquisitions are consolidated according to the purchase method. The cost of acquiring an activity or business is measured as the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, irrespective of the extent of ownership without definitive influence in the acquired activity. The difference between the acquisition value and the fair value of the Group's acquired identifiable net assets and assumed liabilities and contingencies is recorded as goodwill if this difference is positive. If the difference is negative the amount is recognised directly in the income statement. Acquisition-related costs, such as fees for legal advice, legal aid, due diligence etc. are reported as a cost in the period they arise. Financial reports from the acquired activities are included in the consolidated accounts from the time of the acquisition. Divested activities are included in the consolidated accounts until the date the definitive influence ceases. The accounting principles have been applied consistently by Group companies.

Transactions eliminated during consolidation

Intra-Group receivables and liabilities, income or expenses and unrealised profits or losses arising from intra-Group transactions, are entirely eliminated when preparing the consolidated financial statements.

Financial statements of foreign group companies

Assets and liabilities in foreign group companies (of which none have high inflation currencies), including goodwill and other consolidated surpluses and deficits are translated from the functional currencies of the foreign group companies to the Group's presentation currency, at the prevailing exchange rate on the balance sheet date. Revenues and expenses in a foreign business operation are translated into Swedish crowns (SEK) via an average rate of exchange. Translation differences arising from translation are reported in the consolidated statement of comprehensive income and are accumulated in a separate section of shareholders' capital named translation reserve. When a foreign Group company is sold the attributable accumulated translation differences, previously realised directly against shareholders' equity are realised in the consolidated income statement during the same period as the gain or loss of the divestment.

TRANSACTIONS AND BALANCE SHEET ITEMS IN FOREIGN CURRENCY

Foreign currency transactions are translated to the functional currency at the exchange rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate on the balance sheet date. Gains and losses on operating receivables and liabilities are recognised as other operating revenues and other operating expenses, respectively, in operating income, while gains and losses on financial assets and liabilities are recognised in net financial items.

REVENUES

Revenues are reported at the actual values of what is received or will be received. Revenue from sale of products is recognised in the income statement when significant risks and benefits associated with the ownership of the goods have been transferred to the buyer, which normally occurs in connection with delivery. Revenue recognition of services takes place as the services are carried out. Revenue and costs from solutions in the form of construction contracts are reported as the project progresses. This principle is referred to as percentage of completion. Revenue and costs are reported in the income statement in relation to the degree of completion on the balance sheet date. The degree of completion is established on the basis of project costs spent in relation to the project cost corresponding to project revenue for the entire project. A precondition for percentage of completion is that the outcome can be determined reliably. Revenue is not reported if it is not probable that the company will obtain the financial benefits. Anticipated losses are expensed immediately. In the balance sheet, project work is reported either as a current receivable concerning accrued project income not yet invoiced, or as a current liability concerning project work not yet performed but already invoiced.

RESTRUCTURING RESERVES/RESTRUCTURING COSTS

The reserve for decided restructuring measures are posted when a detailed plan for the implementation of measures is in place, and when this plan is communicated to all those affected. Restructuring costs are posted as a separate item in the income statement when these are attributable to a substantial change in the Group's structure. In other cases, the restructuring cases are posted as a part of other operating revenues and operating expenses.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses consist of interest income on bank deposits, interest-bearing financial assets, interest expenses on loans, dividends received, exchange rate fluctuations on interest-bearing financial assets and liabilities and gain/loss on forward contracts used in the financial operations. Interest revenues on interest-bearing financial assets and interest expenses on financial interest-bearing liabilities are calculated with the application of the effective interest method. This means that Interest income and interest costs include accrued transaction costs and any discounts, bonuses and other differences between the initial recognised value of the receivable or liability, and the calculated future payments received or paid during the term of the agreement. The interest component in financial lease payments is reported in the income statement via the application of the effective interest rate method. Income from dividends received is recorded when the right to receive the payment has been established.

FINANCIAL INSTRUMENTS

Financial instruments recorded among assets in the balance sheet include cash and cash equivalents, accounts receivables, loans receivable, financial investments and derivative instruments. On the liability side, are accounts payable, borrowings, pension liabilities and derivative instruments. A financial asset or financial liability is taken up in the balance sheet when the company becomes a party to the contractual conditions of the instrument. Accounts receivable are included when the invoice has been distributed. Liabilities are included when the other party has performed and a contractual obligation to pay exists, even if an invoice has not yet been received. Accounts payable are recognised when invoice has been received. A financial asset, or part of financial asset, is derecognised from the balance sheet when the right of the contract are realised, fall due or the company loses control of them. The same applies to parts of a financial asset. A financial liability is removed from the balance sheet when the obligations set out in the contract are fulfilled or are in some other way absolved. The same applies for a financial liability. A financial asset and a financial liability are offset against each other and recorded with a net value only when there exists a legal right to offset the amount and the intention is to settle the items with a net amount or to sell the asset and to pay of the debt at the same time. Acquisition and sale of financial assets are recorded on the transaction date, which is the day when the company undertakes to purchase or sell the asset.

Classification and Valuation

The classification depends on the purpose for which the instrument was acquired. The classification of a financial asset is determined on the initial recording of the instrument. Classification is then crucial for how the financial instrument is valued. Financial instruments, which are not derivatives, are initially measured at cost corresponding to the instrument's fair value with the addition of transaction costs apart from those financial instruments, which are categorised as financial assets at fair value through the income statement, which are reported at fair value excluding transaction costs. Accounts receivable and accounts payable have a short expected duration and are valued without discount at nominal value.

Financial Assets Valuated at fair value via the Income Statement

Assets in this category are measured continually at fair value with changes recorded in the income statement. Independent derivatives are classified as being held for trade except when they are used for hedge accounting. Derivatives are used to cover the risk for exchange-rate fluctuations and changes in interest rates. Derivatives with positive values (unrealised gains) are recorded as other long-term or current receivables. Changes in fair value are recognised in 'Other operating income/Other operating expenses in the income statement.

Loan receivables and accounts receivable

Loans receivable and accounts receivable are financial assets which are not derivatives, which have fixed payments or payments which are able to be determined, and which are not listed on an active market. These assets are measured at amortised cost. The value is determined on the basis of the effective interest rate calculated at the time of the acquisition. Accounts receivable are reported at the amount expected to be received, i.e. after deductions for doubtful receivables. Impairment of accounts receivable is reported in Other operating expenses. Testing for impairment is performed individually.

Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and other financial institutions.

Financial liabilities valuated at fair value via the income statement

This category comprises derivatives with a negative fair value not used for hedge accounting. Changes in fair value are recognised in 'Other operating income/Other operating expenses in the income statement.

Other Financial Liabilities

Financial liabilities not held for trading, such as accounts payable and loans are recognised at amortised cost. Loans and other financial liabilities are reported initially at the received loan amount with deductions for transaction costs. After the acquisition date loans are assessed at the amortised cost using the effective interest rate method.

Hedge Accounting

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

INTANGIBLE ASSETS

Goodwill

Goodwill is the amount by which the cost of an acquisition exceeds the fair value of the acquired identifiable assets, assumed liabilities and contingent liabilities. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies from the acquisition, and is tested for impairment annually, and when there is an indication of reduction in value. Any impairment is not reversed.

Research and Development

Expenditures for development, where the research result or other knowledge is applied in order to produce new or improved products or processes, are reported as an asset in the balance sheet, if the product or the process is technically and commercially viable and the company has sufficient resources in order to proceed with development and thereafter use or sell the intangible asset. The reported value includes expenditure for materials and other immediate expenses attributable to the asset in a reasonable and consistent manner. In the balance sheet, development costs are reported at cost less accumulated amortisation and any impairment. Costs for research aimed at acquiring new scientific or technical knowledge are reported in the income statement as costs as they arise.

Trademarks with indeterminable lifetime

Trademarks that are acquired via business acquisitions are recorded at fair value on the acquisition date. Trademarks with indeterminable lifetime are allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the trademark and are tested for impairment annually, and when there is an indication of reduction in value.

Customer relations and trademarks with determinable lifetime

Customer relations that are acquired via business acquisitions are recorded at fair value on the acquisition date. Trademarks with determinable lifetime are reported at acquired value less amortisation and any accumulated impairment.

Other intangible assets

Other intangible assets are reported at cost less accumulated amortisation and impairment.

Incremental Expenditures

Subsequent expenditures for capitalised intangible assets are reported as an asset in the balance sheet only when they increase the future economic benefits for the specific assets to which they are related. All other expenditures are expensed as they arise.

Amortisation

Amortisation is recorded linearly in the income statement over the intangible assets' expected useful life, if the useful life is not indefinite.

The expected useful life is:
- Capitalised development expenditures 5 years
- Computer software programs 3–5 years
- Customer relations 10 years

The amortisation methods used and the residual value of assets and their useful life are reviewed annually.

TANGIBLE FIXED ASSETS

Owned assets

Tangible fixed assets are measured at cost less accumulated depreciation and any impairment. Cost includes the purchase price and costs directly attributable to the asset in order to move it into place and in the proper condition to be used in accordance with the purpose of the acquisition. The cost for self-produced fixed assets includes expenditures for materials, expenditures for salaries and other remuneration to employees, and if applicable other production costs considered to be directly attributable to the fixed asset. The reported value of a tangible fixed asset is removed with its scrapping or sale or when no future financial benefits are expected from its use. A gain or loss arising from the sale or scrapping of an asset consists of the difference between selling price and the asset's reported value with deductions for the directly attributable selling costs. Any gain or loss is reported as other operating income/expense.

Incremental Expenditures

Subsequent expenditures are added to the carrying amount only if it is likely that the company will receive future financial benefits associated with the asset and the cost of the assets can be calculated reliably. All other subsequent expenditures are expensed in the period they arise. Crucial for the assessment when a subsequent expenditure is added to the carrying amount is if it concerns exchange of components, or parts thereof, whereupon such expenditures are capitalised. Even in cases when new components are constructed the expenditure is added to the carrying amount. Any remaining carrying amount of exchanged components, or parts of components, is expensed at the time of the exchange. Repairs are expensed as they arise.

Depreciation

Depreciation occurs linearly over the asset's anticipated useful life. The Group applies component depreciation, meaning that the components' estimated useful life forms the basis for the depreciation.

The estimated useful life is:
- buildings, real estate used in business operations 15-30 years
- plant and machinery 3-8 years
- equipment, tools, fixtures and fittings 3–10 years
- land not depreciated

Depreciation of components is based on each component's estimated useful life. The deprecation methods used and the residual value of assets and their useful life are reviewed annually.

LEASING

Leasing is classified in the consolidated financial statements either as financial or operational leasing. Financial leasing occurs when the financial risks and benefits associated with the ownership are substantially transferred to the lessee. If this is not the case, then it is classed as operational leasing.

FINANCIAL LEASING AGREEMENTS

Leasing of fixed assets where the group essentially takes over the same risks and benefits as direct ownership are classified as financial leasing. Assets that are hired under financial leasing agreements are recognised as assets in the consolidated balance sheet in the same way as owned assets. The obligation to pay future leasing payments is recognized as long-term and current liabilities. Lease payments are allocated between interest expense and repayment of the outstanding debt. The interest expense is amortised over the lease period so that each accounting period includes an amount corresponding to a fixed interest rate for the respective period of the liability. Variable fees are expensed in the period they are incurred.

Operational Leasing Contracts

Leasing of fixed assets where the risks and rewards relating to ownership remain with the lessor are classified as operational leasing. Costs for operational leasing are recognized in the income statement on a straight-line basis over the lease term. Benefits obtained from with the signing of an agreement are recognised as a part of the total lease expense in the income statement on a straight-line basis over the lease term. Variable fees are expensed in the period they are incurred.

IMPAIRMENTS AND REVERSAL OF IMPAIRMENTS

Impairments are charged to the income statement. The impairment of financial, tangible and intangible fixed assets affects the operating profit. Previously recorded impairments are reversed if reasons for the former impairment no longer exist. However, reversals are not made in amounts exceeding the carrying amount that would have determined if no impairment had been recorded in previous years. Impairment of goodwill is not reversed.

Test of need for an impairment of tangible and intangible assets, and for shares in subsidiaries
The test of need for an impairment exists if any event occurs or if circumstances change, indicating that the recorded value might be above the recoverable value. The test is carried out at the cash-generating unit to which the asset belongs cash-generating units consist of the Group's operating segments. For goodwill, other intangible assets with an indefinite useful life, and intangible assets not yet ready for use, the recoverable value is calculated annually. An impairment is recorded when an asset's or cash-generating unit's carrying amount exceeds the recoverable value. The recoverable value is the highest of the fair value less sales costs and estimated value in use. When calculating the estimated value in use, the future cash flows are discounted at a rate considering risk-free interest rate and market risk premium associated with the specific asset. An impairment of assets belonging to a cash-generating unit is primarily allocated to goodwill. Then other assets are written down on a proportional basis. An impairment is reversed, with the exception of impairment of goodwill, if there has been a positive change in the recoverable value.

Test of the need for an impairment of financial assets
An impairment of a financial asset should happen if objective evidence shows that one or more events have had a negative impact on the assets' estimated future cash flows. An impairment of a financial asset valued at amortised cost is estimated as the difference between its carrying amount and net present value of the estimated future cash flows, discounted by the original effective interest rate. Previous impairments shall be reversed, if reasons for the former impairment no more exist.

INVENTORY
Inventories are measured at the lower of cost and net realisable value at the closing date. The cost is calculated by applying the First In First Out method (FIFO), including expenses arising with the purchase of the inventory and the transportation to the current place and condition. Finished goods and work in progress, the acquisition cost includes a reasonable share of the indirect costs based on a normal capacity. Loan costs are not included. The net realisable value is calculated as the estimated selling price less applicable variable sales expenses.

DIVIDENDS
Dividends are reported as a liability after the Annual General Meeting has approved the dividend.

EARNINGS PER SHARE
The calculation of earnings per share is based on the net result in the Group, attributable to the parent company's shareholders and on the weighted average number of shares outstanding during the year.

REMUNERATION TO EMPLOYEES
Short-term remunerations
Short-term remuneration to employees is reported as an expense when the related services are received. A provision is reported for planned bonus payments when the Group has an obligation to make such payments based on services received or other contractual conditions fulfilled.

Defined-contribution pension plans
Defined-contribution pension plans are plans where the company's obligation is limited to the charges the company has undertaken to pay. The size of the employee's pension depends on the fees paid by the company and the return on capital generated by these fees. The company obligations concerning payments to defined-contribution pension plans are reported as an expense as they are earned. The part of the Swedish ITP plan financed through Alecta is a defined-benefit pension plan. Alecta has currently no possibility of providing the requisite information, which is why the aforementioned pension plan is reported as a defined-contribution pension plan, meaning that the premiums paid to Alecta will be reported in the period they refer to.

Defined-benefit pension plans
Defined-benefit pension plans are other plans for remunerating employees upon retirement than defined-contribution pension plans. The Group's net obligation concerning defined-benefit pension plans are calculated separately for each plan by estimating the future remuneration, which each employee has earned via their employment in both the current and previous periods; this remuneration is then discounted to a current value. Discount interest is the interest rate on the closing date for a first-class corporate bond or mortgage with a remaining maturity that corresponds to the Group's obligations. If there is no effective market for corporate bonds, the market rate for government bonds over a corresponding period is used.

The actuarial calculation is carried out by a registered actuary using the Projected Unit Credit Method. The Group's net obligations constitute the present value of the obligations minus the fair value of the plan's assets adjusted for any access restrictions. Net interest costs/income for the defined-benefit obligation/asset are reported under net financial items in the income statement. Net interest is based on the interest that occurs upon discounting of the net obligation, i.e. interest on the obligation, plan assets and interest on the effect of any access restrictions. Other components are reported as operating profit. Restatement effects comprise actuarial gains and losses, the difference between actual returns on plan assets and the amount included in net interest and any changes in the effects of access restrictions (excluding interest that was included in net interest). Restatement effects are reported in other comprehensive income. Changes or reductions in a defined-benefit plan are reported at the earliest of the following dates: a) when the change or reduction in the plan occurs, or b) when the company reports related restructuring costs and remuneration upon termination of employment. Changes and reductions are reported directly in profits. Payroll tax is a part of the actuarial assumption and is therefore reported as part of the net obligation/asset. The portion of payroll tax calculated based on the Pension Obligations Vesting Act (Tryggandelagen) for a legal entity is stated, for reasons of simplicity, as accrued costs instead of as part of the net obligation/asset. Tax on returns is reported in the income statement for the period the tax refers to and is thus not included in the calculation of debt. For schemes run as funds, tax is levied on returns for plan assets and this is reported in other comprehensive income. For schemes not run as funds or run partly as funds, tax is included in profits for the year. If there is a difference between how pension costs are established for a legal entity and the Group, an allocation or a receivable is reported concerning payroll tax based on this difference. The allocation or receivable is not calculated at present value.

PROVISIONS
A provision is recognised in the balance sheet when the Group has an existing legal or informal obligation as a result of an event that has occurred, and it is likely that an out-flow of financial resources will be required in order to meet the obligation and a reliable estimate of the amount can be made. Provisions are assessed at the end of every year. Provisions are divided between long-term and current provisions.

Provisions for guarantees
A provision for a product guarantee is recorded when the underlying products or services are sold. Provisions are based on historical data about the guarantees and a total appraisal of possible outcomes in relation to the probability of the outcome.

Provisions for restructuring and redundancy payments
A provision for restructuring is recorded when the Group has decided on a detailed and formal restructuring plan, and the plan has been established and becomes public. Provisions for restructuring often include redundancy payments, where the redundancy is either voluntary or involuntary. Redundancy payments are reported according to the same principles as provisions for restructuring, except if there are requirements to work during a period of notice . The costs for this service is distributed over the period during which the services are performed. No provisions are made for future operating costs.

TAXES
Income taxes consist of current taxes and deferred taxes. Income taxes are reported in the income statement except when the underlying transaction is reported directly against equity or other comprehensive income whereupon the related tax effect also is reported in equity or other comprehensive income. Current taxes are taxes that will be paid or are to be received for the current year, with the application of the tax rates that have been determined or announced as of the close of the reporting period. Included here are also adjustments of current tax attributable to earlier periods. A current tax liability or tax receivable is reported for the estimated tax that will be paid or received for the current year or previous years. Deferred tax is calculated according to the balance sheet method based on the temporary difference between the tax-related values for assets and liabilities, and the values reported for the Group. Temporary differences that arise on initial recognition of an asset or liability, and which are not attributable to business acquisitions or other acquisition and have not affected reported or taxable earnings, do not entail a deferred tax asset or liability. Deferred tax is valued at the nominal amount with the application of the tax rates and tax regulations decided upon or announced on the balance sheet date. Temporary differences are not recognised in participations in subsidiaries, since the Group can control the date when these temporary differences are reversed and it is unlikely that they will be reversed in the foreseeable future. Temporary differences are not considered for goodwill. Deferred tax assets pertaining to deductible temporary differences and losses carried forward are only recorded to the degree that it is likely that these will be able to be used. The value of deferred tax assets is reduced when it is deemed no longer to be likely they can be

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

CONTINGENT LIABILITIES

A contingent liability is recorded when there are possible commitments arising from events that have occurred and the liability is not reported, due to the unlikelihood that an outflow of resources will be required.

PARENT COMPANY'S ACCOUNTING PRINCIPLES

The parent company has prepared its financial statements according to the Swedish Annual Accounts Act (Arsredovisningslagen 1995:1554) and RFR 2. This means that the parent company's financial reports must apply all EU-approved IFRS and statements to the extent that it is possible within the framework of the Swedish Annual Accounts Act and with regard to the connection between the accounting and taxation. The parent company applies the same accounting principles as the Group except in the instances stated below. The deviations that occur between the parent company's and the Group's principles are due to the limitations in the possibilities to apply IFRS in the parent company pursuant to the Annual Accounts Act and the Pensions Obligations Vesting Act.

Subsidiaries

Shares in subsidiaries are reported in the parent company according to the purchase method. All expenses connected with business acquisitions, i.e. including acquisition-related costs, are capitalised in the parent company's financial statements as a part of the acquisition value for shares in subsidiaries. Dividend income is reported when there is a legal authority to receive the dividend. Received dividends are reported as income irrespective of whether the dividends are linked to profit earned before the acquisition date. Shares in subsidiaries and assets at subsidiaries are tested yearly, and upon any indication of value , for impairment requirements. Any impairment is not reversed.

Scope

The parent company's revenue consists of intra-Group management fees. The income statement reports this as net sales.

Taxes

Untaxed reserves recorded in the parent company include deferred tax liabilities. In the consolidated financial statements untaxed reserves are allocated between deferred tax liability and shareholders' equity. For the parent company no comparable allocation is therefore made of appropriations as deferred tax expenses.

Group contributions and shareholder's contributions for legal entities

Shareholders' contributions are added to the value of shares in subsidiaries in the balance sheet and are then tested for impairment. Group contributions are booked as an appropriation in the income statement.

Financial guarantees

The parent company's financial guarantee agreements mainly consist of guarantees benefiting subsidiaries. Financial guarantees mean that the company has an undertaking to remunerate the holder of a debt instrument for losses accrued because a specific debtor has not completed payment on the due date according to the terms of the agreement. The parent company reports financial guarantee agreements as a provision in the balance sheet when the company has a commitment for which payment is likely to be required to regulate the commitment.

2 Allocation of sales

Net sales, SEK m	2017	2016
Products	1,203.4	1,183.8
Solutions	1,325.5	1,358.2
Service	619.6	565.3
	3,148.5	**3,107.3**

3 Operating segments

Segment reporting is based on reports submitted to the Group's senior executives in order to assess performance and allocation of resources to the segments. The operating segments consist of different business operations that are affected by revenues and expenses. The segments are measured and consolidated according to the same accounting principles as the Group in total. The Group is a global market leader in producing products and systems within environmental technology. The products and systems contribute to creating a clean and safe working environment with focus on clean air, recycling solutions and reduced environmental impact of transport handling.

OPERATING SEGMENTS

The Group is divided into the following operating segments:
- EMEA (Europe, Middle East and Africa)
- APAC (Asia and Oceania)
- Americas (North and South America)

The operating segments are presented on pages 22-33 of the annual report. The Group's internal reporting system is built up in order to make it possible to follow up net sales, gross profit and variable costs per segment. Operating general expenses are allocated to the operating segments as appropriate. Operating capital is reported separately when this is possible while other operating capital is allocated as suitable. Earnings, assets and liabilities for the segments include directly attributable items plus items that can be allocated to the segments in an appropriate way. An item that is not allocated pertains mostly to expenses related to the parent company Nederman Holding AB, which contains the central main office functions, such as Group Management, Group Finance, Group IT, GroupHR and Corporate Development. Items not allocated also refer to financial income and expenses and tax expenses. Assets and liabilities that have not been allocated between the segments include tax receivables and tax liabilities (current and deferred), financial investments and financial liabilities, including pension obligations. Operating assets are defined as total assets with deductions for liquid funds, tax receivables (current and deferred) and financial investments. Operating liabilities are defined as total liabilities minus financial investments, tax liabilities (current and deferred) and financial liabilities including pension obligations. The segment's capital expenditures in tangible and intangible fixed assets include all capital expenditures except expendable equipment, equipment of minor value and goodwill. No individual customer accounts for 10 percent or more of the Group's revenues.

GEOGRAPHIC AREAS

The Group is divided into the following geographic regions: Sweden, rest of Nordic region, Germany, rest of Europe, North America and rest of the world. The information presented concerning the income for each region concerns the geographic areas, where the customers are located. Information concerning operating assets, fixed assets excluding goodwill and capital expenditures for the period in tangible and intangible fixed assets, with the exception of goodwill, is based on geographic regions, where the assets are located. Fixed assets are defined as total assets minus goodwill, long-term receivables and deferred tax assets.

3 Operating segments, cont'd

OPERATING SEGMENTS

2017, SEK m	EMEA	APAC	Americas	Other - Not allocated	Total
Net sales	1,517.5	402.7	1,228.3	-	3,148.5
Adjusted operating profit per operating segment	205.9	9.3	136.9	-66.3	285.8
Acquisition costs	-	-	-	-7.7	-7.7
Operating profit/loss	205.9	9.3	136.9	-74.0	278.1
Financial income	-	-	-	6.8	6.8
Financial expenses	-	-	-	-24.8	-24.8
Tax expenses	-	-	-	-73.8	-73.8
Net profit for the year					**186.3**
Operating assets	1,802.5	256.8	1,019.6	-550.4	2,528.5
Other assets	-	-	-	442.4	442.4
Total assets	**1,802.5**	**256.8**	**1,019.6**	**-108.0**	**2,970.9**
Operating liabilities	411.4	193.0	374.0	-103.6	874.8
Other liabilities	-	-	-	1,020.3	1,020.3
Total liabilities	**411.4**	**193.0**	**374.0**	**916.7**	**1,895.1**
Capital expenditures	14.5	0.8	7.8	30.3	53.4
Depreciation and amortisation	-23.6	-3.5	-15.9	-9.7	-52.7

GEOGRAPHIC AREAS

2017, SEK m	Sweden	Rest of Nordic region	Germany	Rest of Europe	North America	Rest of the World	Not allocated	Total
Net sales	134.0	221.7	287.0	762.6	1,126.9	616.3	-	3,148.5
Operating assets	653.9	461.1	355.1	332.4	979.7	296.7	-550.4	2,528.5
Capital expenditures	3.8	0.9	0.9	8.9	7.6	1.0	30.3	53.4
Fixed assets	23.8	110.9	44.1	51.5	160.3	23.1	65.5	479.2

OPERATING SEGMENTS

2016, SEK m	EMEA	APAC	Americas	Other - Not allocated	Total
Net sales	1,420.6	379.6	1,307.1	-	3,107.3
Adjusted operating profit per operating segment	168.1	-9.3	140.4	-48.9	250.3
Operating profit/loss	168.1	-9.3	140.4	-48.9	250.3
Financial income	-	-	-	2.8	2.8
Financial expenses	-	-	-	-21.4	-21.4
Tax expenses	-	-	-	-59.6	-59.6
Net profit for the year					**172.1**
Operating assets	1,396.2	290.2	1,192.9	-649.0	2,230.3
Other assets	-	-	-	423.1	423.1
Total assets	**1,396.2**	**290.2**	**1,192.9**	**-225.9**	**2,653.4**
Operating liabilities	394.8	215.9	452.6	-280.1	783.2
Other liabilities	-	-	-	888.0	888.0
Total liabilities	**394.8**	**215.9**	**452.6**	**607.9**	**1,671.2**
Capital expenditures	9.1	1.1	9.1	26.6	45.9
Depreciation and amortisation	-22.2	-4.7	-15.7	-5.1	-47.7

GEOGRAPHIC AREAS

2016, SEK m	Sweden	Rest of Nordic region	Germany	Rest of Europe	North America	Rest of the World	Not allocated	Total
Net sales	134.5	214.4	290.6	695.6	1,140.1	632.1	-	3,107.3
Operating assets	696.5	26.6	335.7	337.5	1,170.3	312.7	-649.0	2,230.3
Capital expenditures	3.0	0.4	1.4	4.3	8.7	1.5	26.6	45.9
Fixed assets	27.8	1.7	45.6	45.1	185.0	26.5	51.1	382.8

4 Acquisition of business operations

ACQUISTION 2017

NEO Monitors AS

On 7 November 2017, Nederman acquired 100 percent of the shares in NEO Monitors AS. NEO Monitors is a global pioneer within laser-based solutions for the measuring of gases and dust in all types of industry. The company has taken a leading position in all generations of laser-based measuring techniques and currently has the largest installed base of TDLS (Tunable Diode Laser Spectrometry) analysers with more than 11,000 instruments installed in more than 40 countries. The company's expertise and technology allows for more than 100 different configurations customised to the needs to the customer, which helps global industries to achieve better process control, reduce operational expenses and increase efficiency. NEO Monitors becomes part of Nederman Insight. NEO Monitor's trademark and team will continue as before. The solutions will be an integrated part of the Nederman Insight Applications and the digital eco system based on Connectivity and the Internet of Things. NEO Monitors AS has approximately 40 employees and in 2017 had sales of SEK 132.0 m.

The acquisition price amounts to SEK 407.5 m on a cash liability-free basis, financed through a combination of cash and existing bank facilities. The purchase sum is divided into two parts, of which the first part is SEK 256.1 m and paid upon transfer, and the second part two calendar years following the closing of the deal. The aquisition price of SEK 407.5m has been adjusted by SEK 4.0m due to adjusted calculation of net working capital, received in the beginning of 2018. The acquisition analysis is preliminary. Of total intangible fixed assets, SEK 84.2 m are related to research and development and SEK 22.1 m to customer relations. Fair value of trade receivables amounts to SEK 13.9 m. Fees relating to the acquisition amounted to SEK 7.7 m and comprise payments to consultants in connection with the transaction, which includes due diligence and legal advice. These fees affected operating profit.

Acquisition price, SEK m	
Acquisition price	407.5
Of which is deferred payment	*155.5*

Identifiable acquired assets and liabilities, SEK m	Carrying amount upon the moment of acquisition	Adjustment to fair value	Fair value/ Total
Intangible fixed assets	2.0	106.3	108.3
Tangible fixed assets	4.7	-	4.7
Inventories	29.5	-	29.5
Accounts receivable and other receivables	15.6	-	15.6
Cash and cash equivalents	22.8	-	22.8
Interest-bearing liabilities	-15.8	-	-15.8
Accounts payable and other operating liabilities	-17.0	-	-17.0
Current tax liabilities	-2.3	-	-2.3
Deferred tax liabilities	3.5	-25.5	-22.0
Total identifiable net assets	**43.0**	**80.8**	**123.8**
Goodwill			283.7
Total			**407.5**
Transferred remuneration			-256.1
Acquired cash and cash equivalents			22.8
Effect on consolidated cash and cash equivalents			**-233.3**
Net sales during holding time			28.2
Net sales 2017 before acquisition			103.8
Net profit during holding time			3.6
Net profit 2017 before acquisition			7.0

5 Other operating income

SEK m	2017	2016
Profit from sale of fixed assets	0.5	0.5
Recovered bad debt losses	1.3	0.9
Exchange gains on operating receivables/liabilities	1.9	13.9
Other	3.1	6.2
	6.8	**21.5**

6 Other operating expenses

SEK m	2017	2016
Loss from sale of fixed assets	-0.8	-0.1
Bad debt losses	-3.2	-3.6
Exchange losses on operating receivables/liabilities	-12.5	-4.5
Other	-5.3	-9.1
	-21.8	**-17.3**

7 Employees and Staff Expenses

			2017			2016
Average number of employees	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Australia	3	17	20	2	18	20
Belgium	3	12	15	3	12	15
Brazil	5	18	23	6	18	24
Denmark	10	66	76	10	63	73
UK	12	87	99	12	79	91
France	8	18	26	20	26	46
India	1	28	29	1	17	18
Indonesia	2	8	10	1	8	9
Canada	7	21	28	7	23	30
China	35	112	147	35	113	148
Malaysia	1	5	6	1	5	6
Mexico	6	8	14	2	4	6
Netherlands	3	32	35	3	31	34
Norway	7	54	61	2	19	21
Poland	29	190	219	29	181	210
Russia	3	2	5	3	3	6
Spain	2	13	15	2	13	15
Sweden	59	148	207	66	174	240
Thailand	26	60	86	28	75	103
Czech Republic	2	16	18	2	15	17
Turkey	3	6	9	3	8	11
Germany	34	152	186	39	146	185
Hungary	-	2	2	-	2	2
USA	111	306	417	110	316	426
Austria	-	4	4	1	3	4
Group total	**372**	**1,385**	**1,757**	**388**	**1,372**	**1,760**
Of whom, senior executives	**17**	**76**	**93**	**20**	**72**	**92**

Gender breakdown of senior executives, percentage of women	2017	2016
Board of Directors	8%	4%
Other senior executives	18%	22%

Expenses for remuneration to employees, SEK m	2017	2016
Salaries and other remuneration	766.3	739.1
Pensions expenses, defined-benefit plans (see also note 20)	0.4	-
Pensions expenses, defined-contribution plans (see also note 20) 1)	43.9	39.3
Social security expenses	114.4	123.9
	925.0	**902.3**

Salaries and other remuneration allocated between the board of directors and other employees, SEK m	2017	2016
Board of Directors, CEO and senior executives	62.1	56.0
(of which variable compensation)	(5.8)	(3.7)
Other employees	704.2	683.1
	766.3	**739.1**

1) Of the parent company's pension costs SEK 1.4m (1.3) concern the Board of Directors and the CEO for the parent company. There are no outstanding pension obligations to the Group's Board of Directors, CEO and senior executives.

8 Fees and expenses to auditors

SEK m	2017	2016
EY		
Audit assignment	5.1	5.3
Tax advice	0.3	0.3
Other assignments	0.4	0.5
Other auditors		
Audit assignment	0.6	0.6
Tax advice	1.8	0.4
Other assignments	1.7	0.2

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

9 Operating expenses

SEK m	2017	2016
Cost of operations allocated on cost type		
Cost of material	-1,434.8	-1,477.0
Cost of remuneration to staff	-925.0	-902.3
Other external costs and other personnel costs	-435.2	-434.2
Acquisition costs	-7.7	-
Depreciation and amortisation	-52.7	-47.7
Other operating expenses	-21.8	-17.3
	-2,877.2	**-2,878.5**

10 Net financial items

SEK m	2017	2016
Financial income		
Interest income on bank deposits	2.5	2.2
Other interest income	0.4	0.6
Exchange rate changes	3.9	-
	6.8	**2.8**
Financial expenses		
Interest expenses, credit institutions	-18.1	-15.1
Interest expenses, other	-4.0	-4.3
Exchange rate changes	-2.7	-2.0
	-24.8	**-21.4**
Net financial items	**-18.0**	**-18.6**

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

11 Taxes

REPORTED IN THE CONSOLIDATED INCOME STATEMENT, SEK m

Current tax expense (-)	**2017**	**2016**
Tax expense for the period	-56,3	-51.0
Adjustment of tax relating to previous years	1.0	-1.3
	-55.3	**-52.3**
Deferred tax expense (-) /tax income (+)		
Deferred tax concerning temporary differences	1.4	10.7
Utilisation of previously activated loss carryforwards	-14.9	-15.5
Revaluation of loss carryforwards	-6.1	-5.4
Deferred tax income in tax loss carryforwards capitalised during the year	1.1	2.9
	-18.5	**-7.3**
Total consolidated tax expenses	**-73.8**	**-59.6**

Reconciliation of effective tax

The Swedish tax rate is 22 percent. The primary reasons for the difference in tax rate between Swedish income tax and the Group's tax rate based on the earnings after financial items are indicated in the table below.

	2017, %	**2017, SEK m**	**2016, %**	**2016, SEK m**
Profit before tax		260.1		231.7
Tax according to the applicable tax rate for the Parent company	22.0	-57.2	22.0	-51.1
Effect of other tax rates for foreign subsidiaries	9.1	-23.7	5.7	-13.2
Non-tax deductible expenses	3.7	-9.5	3.3	-7.6
Non-taxable income	-1.4	3.7	-3.5	8.0
Increase of loss carryforwards without corresponding capitalisation of deferred tax/temporary differences	2.3	-6.0	0.9	-2.0
Utilisation or revaluation of previously non-capitalised losses carried forward	-6.9	18.0	-4.2	9.8
Tax relating to previous years	-0.2	0.5	0.6	-1.4
Effect of changes in tax rates/ and tax rules	-0.2	0.4	0.9	-2.1
Reported effective tax	**28.4**	**-73.8**	**25.7**	**-59.6**

Current tax assets amount to SEK 61.3 m (71.5) and representing the recoverable amount of current tax on the result for the year.

REPORTED IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

			2017			**2016**
Deferred tax assets and deferred tax liabilities, SEK m	**Receivables**	**Liabilities**	**Net**	**Receivables**	**Liabilities**	**Net**
Deferred tax assets and deferred tax liabilities relate to:						
Tangible fixed assets	26.8	28.8	-2.0	27.0	36.8	-9.8
Intangible fixed assets	6.2	45.0	-38.8	6.3	23.1	-16.8
Financial assets	0.7	0.2	0.5	0.6	-	0.6
Inventories	11.4	1.2	10.2	10.4	1.1	9.3
Accounts receivable	2.4	4.1	-1.7	2.2	1.1	1.1
Provision for pensions	16.8	0.2	16.6	14.6	-	14.6
Provisions	7.6	-	7.6	14.0	-	14.0
Loss carryforwards	4.5	-	4.5	24.3	-	24.3
Other	2.9	-	2.9	2.5	-	2.5
Tax receivables/liabilities	**79.3**	**79.5**	**-0.2**	**101.9**	**62.1**	**39.8**
Netting	-62.5	-62.5	-	-41.2	-41.2	-
Deferred tax assets/liabilities according to consolidated statement of financial position	**16.8**	**17.0**	**-0.2**	**60.7**	**20.9**	**39.8**

Recognised loss carryforwards are not time limited except for losses in China, amounting to SEK 1.7 m that is valid until 2019. Deferred tax receivables have been reported to the extent that it is considered probable that the losses can be set off against future profits.

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

11 Taxes, cont'd

UNRECOGNISED TAX LOSS CARRYFORWARDS

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

SEK m	2017	2016
Unrecognised tax loss carryforwards	178.2	168.9

Tax loss carryforwards of SEK 172,8 m, which represent SEK 43.0 m in defered tax assets have not been reported in the consolidated financial statement. Those mainly relate to loss carryforwards in France, the Netherlands, Thailand, Turkey, Germany and the US, which will probably not be used for settlement of future taxable gains. The majority of the nrecognised tax loss carryforwards have a time limit of 2021/2022 and the remaining portion is mainly not time -limited.

CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND LOSSES CARRIED FORWARD

SEK m	Balance As of 1 Jan 2017	Recorded Over income statement	Trans lation difference	Acquisitions of business	Balance As of 31 Dec 2017
Tangible fixed assets	-9.8	8.0	-0.1	-0.1	-2.0
Intangible fixed assets	-16.8	3.0	0.5	-25.5	-38.8
Financial assets	0.6	-0.2	0.1	-	0.5
Inventories	9.3	0.9	-0.0	-	10.2
Accounts receivable	1.1	-3.3	0.0	0.5	-1.7
Provision for pensions	14.6	-1.2	0.1	3.1	16.6
Provisions	14.0	-6.4	0.0	-	7.6
Loss carryforwards	24.3	-19.9	0.1	-	4.5
Other	2.5	0.6	-0.2	0.0	2.9
	39.8	**-18.5**	**0.5**	**-22.0**	**-0.2**

SEK m	Balance As of 1 Jan 2016	Recorded Over income statement	Trans lation difference	Acquisitions of business	Balance As of 31 Dec 2016
Tangible fixed assets	-10.1	0.3	-0.0	-	-9.8
Intangible fixed assets	-15.3	-1.7	0.2	-	-16.8
Financial assets	0.6	0.0	-0.0	-	0.6
Inventories	7.3	2.2	-0.2	-	9.3
Accounts receivable	-2.2	3.8	-0.5	-	1.1
Provision for pensions	7.2	8.3	-0.9	-	14.6
Provisions	16.4	-2.7	0.3	-	14.0
Loss carryforwards	40.5	-18.0	1.8	-	24.3
Other	2.1	0.5	-0.1	-	2.5
	46.5	**-7.3**	**0.6**	**-**	**39.8**

12 Intangible fixed assets

SEK m	Customer relations	Trade marks	Development in progress	Goodwill	Computer programs	Total
						2017
Accumulated cost						
Opening balance	22.6	47.4	123.5	708.8	96.5	998.8
Business acquisition	22.1	-	84.2	283.7	5.7	395.7
Internally developed assets	-	-	6.8	-	-	6.8
Other capital expenditures	-	-	-	-	23.3	23.3
Sold and scrapped	-	-	-	-	-0.4	-0.4
Translation differences	-2.1	-3.3	-1.8	-22.6	0.5	-29.3
Closing balance	**42.6**	**44.1**	**212.7**	**969.9**	**125.6**	**1,394.9**
Accumulated amortisation and impairment						
Opening balance	-7.2	-	-98.3	-	-65.5	-171.0
Business acquisition	-	-	-	-	-3.7	-3.7
Sold and scrapped	-	-	-	-	0.2	0.2
Amortisation for the year	-2.6	-	-8.9	-	-12.2	-23.7
Translation differences	0.6	-	-0.2	-	-0.4	0.0
Closing balance	**-9.2**	**-**	**-107.4**	**-**	**-81.6**	**-198.2**
Carrying amount						
Opening balance	15.4	47.4	25.2	708.8	31.0	827.8
Closing balance	**33.4**	**44.1**	**105.3**	**969.9**	**44.0**	**1,196.7**

	Customer relations	Trade marks	Development in progress	Goodwill	Computer programs	Total
						2016
Accumulated cost						
Opening balance	18.9	43.8	115.1	688.6	76.2	942.6
Business acquisition	2.0	-	-	-7.5	-	-5.5
Internally developed assets	-	-	6.7	-	-	6.7
Other capital expenditures	-	-	-	-	19.4	19.4
Reclassifications	-	-	-	-	-0.0	-0.0
Translation differences	1.7	3.6	1.7	27.7	0.9	35.6
Closing balance	**22.6**	**47.4**	**123.5**	**708.8**	**96.5**	**998.8**
Accumulated amortisation and impairment						
Opening balance	-4.6	-	-89.4	-	-57.6	-151.6
Amortisation for the year	-2.1	-	-7.4	-	-7.0	-16.5
Translation differences	-0.5	-	-1.5	-	-0.9	-2.9
Closing balance	**-7.2**	**-**	**-98.3**	**-**	**-65.5**	**-171.0**
Carrying amount						
Opening balance	14.3	43.8	25.7	688.6	18.6	791.0
Closing balance	**15.4**	**47.4**	**25.2**	**708.8**	**31.0**	**827.8**

The Group's expenses for development of the existing product range and new products amounted to SEK 14.2 m (7.8). SEK 6.8 m was capitalised in the consolidated statement of financial position.

12 Intangible fixed assets, cont'd

Amortisation and impairments, SEK m	2017	2016
Amortisation is included in the following lines in the income statement		
Cost of sold goods	-9.0	-7.4
Selling expenses	-5.0	-4.7
Administrative expenses	-9.7	-4.4
	-23.7	**-16.5**

The amount of goodwill represents the future economic benefits arising from the acquisition that are not individually identified and separately recognised and the value being established on the market with a functioning market organisation. The goodwill is split per operating segment.

Goodwill, SEK m	2017	2016
EMEA	676.1	404.0
APAC	41.0	42.5
Americas	252.8	262.3
	969.9	**708.8**

Cash generating unit	Annual growth during the forecast period, %	Annual growth after forecast period, %	Discount rate before tax, %
EMEA	2.0 (1.0)	1.0 (1.0)	12.63 (12.67)
APAC	6.0 (6.0)	3.0 (3.0)	13.57 (10.38)
Americas	2.0 (3.0)	2.0 (2.0)	16.44 (15.21)
Trademarks	2.0 (2.0)	2.0 (2.0)	14.10 (12.75)

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

GOODWILL

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

Sensitivity analysis:

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

TRADEMARKS

In addition to goodwill there are acquired trademarks which are considered to have an indefinite useful life. The useful life is deemed indefinite if it is a question of a well-established brand in its market, which the Group intends to maintain and develop further. The brands that have been identified and valued were established in connection with the 2012 acquisition of EFT. The cost of the trademarks was established at the time of the acquisition under the so-called relief from royalty method. Impairment testing is performed annually. The test includes an assessment of the royalty rate on the acquisition date fixed and estimated future sales performance for five years. Sustained growth of 2 percent has been used. Cash flow for the period beyond five years has been calculated using a multiple applied to estimated sustainable cash flow. When calculating the present value of expected future cash flows, the current weighted average capital cost (WACC) for the market is used. For 2017, the discount rate amounts to 14.10 percent (12.75). Impairment testing is done in Q4, or whenever the need arises, and with the assumptions used showed there was no need for any impairment of trademarks with an indefinite useful life. The book value of trademarks with an indefinite useful life amounted to SEK 44.1 m (47.5).

13 Tangible fixed assets

2017				
SEK m	Buildings and Land	Plant and machinery	Equipment, tools and fixtures	Total
Accumulated cost				
Opening balance	380.8	203.2	305.3	889.3
Business acquisition	-	2.0	3.7	5.7
Year's capital expenditure	5.7	8.4	9.2	23.3
Sold and scrapped	-1.3	-5.6	-7.8	-14.7
Reclassifications	-0.5	-0.4	1.2	0.3
Translation differences	-5.0	-5.9	-2.0	-12.9
Closing balance	**379.7**	**201.7**	**309.6**	**891.0**
Accumulated depreciation and impairment				
Opening balance	-202.6	-150.0	-272.9	-625.5
Business acquisition	-	-0.4	-0.6	-1.0
Depreciation for the year	-9.1	-9.6	-10.3	-29.0
Sold and scrapped	1.2	4.5	6.9	12.6
Reclassifications	-	0.4	-0.0	0.4
Translation differences	0.3	2.5	1.1	3.9
Closing balance	**-210.2**	**-152.6**	**-275.8**	**-638.6**
Carrying amount				
Opening balance	178.2	53.2	32.4	263.8
Closing balance	**169.5**	**49.1**	**33.8**	**252.4**

2016				
	Buildings and Land	Plant and machinery	Equipment, tools and fixtures	Total
Accumulated cost				
Opening balance	358.2	201.2	304.7	864.1
Year's capital expenditure	6.5	5.7	7.6	19.8
Sold and scrapped	-	-15.2	-12.5	-27.7
Reclassifications	-2.3	0.5	0.0	-1.8
Translation differences	18.4	11.0	5.5	34.9
Closing balance	**380.8**	**203.2**	**305.3**	**889.3**
Accumulated depreciation and impairment				
Opening balance	-185.3	-146.6	-269.4	-601.3
Depreciation for the year	-9.2	-10.6	-11.4	-31.2
Sold and scrapped	-	14.3	11.7	26.0
Reclassifications	-	0.0	0.0	0.0
Translation differences	-8.1	-7.1	-3.8	-19.0
Closing balance	**-202.6**	**-150.0**	**-272.9**	**-625.5**
Carrying amount				
Opening balance	172.9	54.6	35.3	262.8
Closing balance	**178.2**	**53.2**	**32.4**	**263.8**

Financial leasing, SEK m	2017	2016
Book value for assets during leasing agreement		
Equipment, tools and fittings	0.4	0.5

The leased assets are pledged assets for the leasing liabilities. See also note 19 and 26.

Depreciation and impairments, SEK m	2017	2016
Depreciation is included in the following lines in the income statement:		
Cost of sold goods	-17.8	-18.9
Selling expenses	-7.2	-8.3
Administrative expenses	-4.0	-4.0
	-29.0	**-31.2**

14 Other receivables

Other receivables which are current assets, SEK m	2017	2016
VAT receivable	15.2	12.3
Project work in progress, not invoiced	88.5	163.4
Fair value of currency derivatives	0.2	0.7
Other receivables	35.5	26.7
	139.4	**203.1**

15 Inventory

SEK m	2017	2016
Raw materials and consumables	177.7	149.8
Work in progress	75.4	104.6
Finished goods and tradable goods	133.7	126.2
	386.8	**380.6**

Impairment of inventory value reported gross	80.3	88.1

Change of obsolescence provision, SEK m	2017	2016
Opening balance	88.1	85.1
Change in obsolescence reported over the income statement	1.5	7.0
Disposals	-7.7	-5.8
Reclassifications	-0.1	-0.4
Effect of changes in currency exchange rates	-1.5	2.2
Obsolescence provision at 31 December	**80.3**	**88.1**

16 Prepaid expenses and accrued income

SEK m	2017	2016
Rent/leasing	5.0	5.5
Computer/license costs	4.5	3.8
Insurance	2.8	1.7
Bank costs	1.1	1.2
Other	8.3	15.3
	21.7	**27.5**

17 Equity

Share capital and number of shares	2017	2016
Number of shares	11,715,340	11,715,340
Registered share capital, SEK	1,171,534	1,171,534

Share ratio value is SEK 0.10.

Number of treasury shares held	2017	2016
Opening number of treasury shares held	23,371	34,000
Effect of share-related remunerations	-4,282	-10,629
Closing number of treasury shares held	**19,089**	**23,371**

Dividends

The Board of Directors and the CEO propose a dividend of SEK 6.00 (5.50) per share, in total SEK 70.2 *)m (64.3). The dividend amount will be adopted by the AGM on 19 April 2018.

*) Based on the number of shares outstanding on 31 December 2017. The dividend amount may be subject to change as treasury shares may be sold up to the record day of 13 April 2018.

Hedging reserve, SEK m	2017	2016
Cash flow hedging		
Value at the beginning of the year	-1.1	1.1
Changes in fair value of cash flow hedges	3.1	-1.5
Transferred to income statement for the period	0.0	-1.3
Tax relating to cash flow hedges	-0.7	0.6
Value at the end of the period	**1.3**	**-1.1**

Capital management

The Group's capital corresponds to the total amount of shareholders' equity, SEK 1,075.8 SEK m. According to the Board's policy, the Group's financial objective is to achieve a good capital structure and financial stability in order to maintain the trust of investors, creditors and the market, and to form a good base for continued development of the business, while the long-term return generated for shareholders remains satisfactory.

Capital defined as total equity, SEK m	2017	2016
Total equity	1,075.8	982.2

Net debt/equity ratio, %	2017	2016
Interest-bearing liabilities and provisions	946.2	812.1
Cash and cash equivalents	-360.9	-287.8
Net debt	**585.3**	**524.3**
Net debt/equity ratio, %	**54.4**	**53.4**

The net debt/equity ratio is at the level of the previous year, which is due to the net debt and equity having increased to roughly the same scope. The increase of the net debt is due primarily to the year's borrowings in connection with the acquisition of NEO Monitors. The net debt has also been affected positively by currency effects on the external loans in Euros and Dollars. The enhanced cash flow during the year as resulted in a lower net debt, which above all is attributable to a reduced operating capital requirement for projects in progress. Equity was strengthened due to by the improved profitability. This is in spite of equity having been affected negatively by the foreign exchange provision, which is mainly related to the Dollar and Euro. These effects have meant that the net debt/equity ratio was at the same level as the previous year and good access to liquidity provides an opportunity to take advantage of the growth prospects anticipated in coming years, while the level of the ordinary dividend is expected to be maintained. New share issues will probably not be needed for the same reason in coming years, except in the event of major acquisitions.

The Group seeks to pay an ordinary dividend each year amounting to 30-50 percent of net income. The Board has proposed a dividend of SEK 6.00 per share to the Annual General Meeting in 2018, representing 6.5 percent of the equity. In the past five years, the ordinary dividend has averaged around 6.8 percent of equity. This has meant that 46 percent of earnings per share has been distributed in ordinary dividends.

During the year there were no changes in the Group's capital management.

18 Earnings per share

Earnings per share, SEK	2017	2016
Earnings per share before dilution	15.93	14.72
Earnings per share after dilution	15.93	14.72

Net profit for the year, SEK m	2017	2016
Year's earnings attributable to the parent company's shareholders	186.3	172.1

18 Earnings per share, cont'd

Weighted average number of shares outstanding	2017	2016
Issued number of shares as of 31 December	11,715,340	11,715,340
Weighted average number of shares prior to dilution	11,696,251	11,691,969
Weighted average number of shares after dilution	11,696,251	11,691,969

Number of treasury shares held	2017	2016
Opening number of treasury shares held	23,371	34,000
Effect of share-related remunerations	-4,282	-10,629
Closing number of treasury shares held	**19,089**	**23,371**

19 Interest-bearing liabilities

For more information about the company's exposure to interest rate risks and currency risks, see note 24.

Long-term liabilities, SEK m	2017	2016
Bank loans	822.2	702.2
Financial leasing liabilities	0.3	0.2
	822.5	**702.4**

Current liabilities, SEK m	2017	2016
Current part of bank loan	0.2	0.2
Current part of financial leasing liabilities	0.1	0.3
	0.3	**0.5**

Total interest-bearing liabilities	**822.8**	**702.9**

Terms and repayment due dates

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

2017, SEK m	Currency	Nominal interest%	Due date	Nominal amount original currency	Recorded amount
Bank loan (revolving)	SEK	0.750	01.06.2019	110.8	110.0
Bank loan (revolving)	SEK	0.750	01.06.2019	14.0	14.0
Bank loan (revolving)	SEK	0.900	28.12.2020	58.0	57.5
Bank loan (revolving)	EUR	0.900	28.12.2020	17.2	169.3
Bank loan (revolving)	USD	2.469	28.12.2020	36.5	300.3
Bank loan (revolving)	USD	2.130	01.06.2019	2.6	21.3
Bank loan (revolving)	SEK	0.750	01.06.2019	150.0	150.0
Financial leasing liabilities					0.4
Total interest bearing liabilities					**822.8**

2016, SEK m	Currency	Nominal interest%	Due date	Nominal amount original currency	Recorded amount
Bank loan (revolving)	SEK	0.950	01.06.2019	110.8	110.0
Bank loan (revolving)	SEK	0.950	01.06.2019	14.0	14.0
Bank loan (revolving)	SEK	1.050	28.12.2020	58.0	57.5
Bank loan (revolving)	EUR	1.050	28.12.2020	17.2	164.7
Bank loan (revolving)	USD	1.885	01.06.2019	2.6	23.8
Bank loan (revolving)	USD	1.820	28.12.2020	36.5	332.4
Financial leasing liabilities					0.5
Total interest bearing liabilities					**702.9**

19 Interest-bearing liabilities, cont'd

Financial leasing liabilities

Financial leasing liabilities are due for payment according to the following:

2017, SEK m	Minimum leasing Fees	Interest	Capital amounts
Within one year	0.2	-0.0	0.2
Between one and five years	0.2	0.0	0.2
	0.4	**-0.0**	**0.4**

2016, SEK m	Minimum leasing Fees	Interest	Capital amounts
Within one year	0.3	-0.0	0.3
Between one and five years	0.2	-0.0	0.2
	0.5	**-0.0**	**0.5**

20 Provision for pensions – benefits to senior executives

Defined-benefit pension plans

Defined-benefit net liability, reported in statement of financial position, SEK m	2017	2016
Present value of unfunded obligations	123.4	109.2
Present value of entirely or partially funded obligations	0.5	0.6
Total present value of defined-benefit obligations	**123.9**	**109.8**
Fair value of plan assets	-0.5	-0.6
	123.4	**109.2**

Overview, defined-benefit plans

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

Change in present value of defined-benefit obligations, SEK m	2017	2016
Obligations for defined benefit plans, 1 January	109.8	108.3
Business acquisition	15.3	-
Payment of pension benefits	-6.5	-6.6
Reductions and settlements	-	0.5
Cost of service in current period	0.4	0.0
Interest cost	2.5	2.7
Revaluations		
- Actuarial gains and losses for the revised demographic assumptions	-1.4	-1.0
- Actuarial gains and losses for changes in financial assumptions	3.6	2.8
Translation differences	0.2	3.1
Obligations for defined benefit plans, 31 December	**123.9**	**109.8**

Changes in fair value of defined-benefit plan assets, SEK m	2017	2016
Fair value of plan assets, 1 January	0.5	0.6
Payment of pension benefits	-0.0	-0.1
Fair value of plan assets, 31 December	**0.5**	**0.5**

Costs reported in profit for the year, SEK m	2017	2016
Costs for service in current period	0.4	0.0
Net interest	2.5	2.8
Total net costs in the income statement	**2.9**	**2.8**
of which, amounts affecting operating profit	0.4	-
of which, amounts affecting financial costs	2.5	2.8
Total net costs	**2.9**	**2.8**

Costs recognised in other comprehensive income, SEK m	2017	2016
Revaluations of pension commitments	-2.2	-1.8
Translation differences on foreign plans	-1.1	-0.5
Revaluation of defined-benefit net liabilities in other comprehensive profits	**-3.3**	**-2.3**

20 Provision for pensions – benefits to senior executives, cont'd

Assumptions for defined-benefit obligations, %	2017	2016
The most significant actuarial assumptions on the balance sheet date (expressed as weighted averages)		
Discount rate at 31 December	1.7-2.9	1.8-2.9
Future increase in medical expenses	-5.0	-5.0
Future pension increases	1.5-1.7	1.5

Sensitivity analysis

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

SEK m	Increase	Decrease
Increase/decrease in discount rate (0.5% change)	-11.3	12.9
Increase / decrease in health care costs (1% change)	0.4	-0.3

Future cash flow

As of 31/12/2017 the weighted average duration of commitments was 14.0 years (14.0). Expected payments in 2018 for defined-benefit pension plans amount to SEK 10.9m.

Pension plans covering several employers

Obligations for old-age pensions and family pensions for employees in Sweden are safeguarded via insurance in Alecta. According to a statement from the Swedish Financial Accounting Standards Council, UFR 10, this is a defined-benefit plan that covers multiple employers. For the financial year 2017 the company has not had access to such information which makes it possible to report this plan as a defined-benefit plan. The pension plan according to ITP which is safeguarded via insurance in Alecta is therefore reported as a defined-contribution pension plan. The annual charges for retirement annuities which are covered by Alecta amounts to SEK 6.6m (5.8). Alecta's surplus can be distributed to the holders of the insurance policies and/or the ensured parties. The Group's share of total savings premiums for ITP in Alecta amounted to 0.038 percent (0.035) and the Group's share of the total number of active insured individuals amounts to 0.028 percent (0.029). At the end of 2017, Alecta's surpluses, in the form of the collective consolidation level, amounted to 154 percent (148). The collective consolidation level consists of the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's actuarial assumptions, which are not in accordance with IAS 19.

DEFINED-CONTRIBUTION PLANS

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

SEK m	2017	2016
Costs for defined-contribution pension plans	43.0	39.3

BENEFITS TO EXECUTIVE OFFICERS

Principles for compensation to the board of directors

Directors' fees are paid to the Chairman of the board of directors and other members according to the decision of the Annual General Meeting. Employee representatives in the board of directors do not receive director's fees. The 2017 Annual General Meeting decided that fees to the board for its work in 2017 would amount to SEK 450,000 to the chairman of the board and SEK 225,000 to Per Borgvall, Gunnar Gremlin, Ylva op den Velde Hammargren, Johan Menckel and Gunilla Fransson.

Principles for compensation to CEO and group president

Remuneration

Compensation is paid to the CEO and Group CEO in the form of a base salary, pensions and variable compensation. During 2017, the base salary was SEK 4,112t. The variable compensation can amount to at most 50 percent of the base salary. Any variable compensation is established on the basis of the Nederman Group's earnings per share. In 2017, remuneration to the CEO and Group CEO was SEK 7,568t, of which 1,921t consisted of variable remunerations and SEK 1,392t of pension premium expenses.

Notice period for termination of employment and severance pay

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

Pension payments

The CEO and Group CEO is entitled to retire with a pension at age 65. The pension plan is premium-based pension plan and the annual premium corresponds to 35 percent of the annual base salary. The company's obligation is limited to the payment of the annual premium. During 2017 the premium expenses were SEK 1,392t for the CEO and Group CEO.

Principles for compensation to managers at subsidiaries

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

Principles for remuneration to other senior executives

Remuneration

Those members in the Group management, who are employed by companies other than the parent company, receive their remuneration from the respective company. The remuneration is determined by the remuneration committee in accordance with principles determined by the 2017 AGM and consists of base salary, pension contribution, variable compensation and other benefits. For other members in the group management the variable compensation may amount to no more than 30 percent of the base salary. Any variable compensation and its size is determined by the CEO in consultation with the Chairman of the board, based upon the result and tied-up capital in the Nederman Group. In 2017, remuneration to the rest of the senior executives was SEK 20,821t, of which SEK 3,146t consisted of variable remunerations and SEK 3,435t of pension premium expenses.

Notice period for termination of employment and severance pay

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

Pension payments

Other members of the group management are entitled to retire with a pension at age 65. The pension contributions follow the contractual ITP with exception for two members where the pension contribution occurs with 8 price base amounts per year respectively at the most 30 percent of base salary. The companies' obligations are limited to the annual premiums. The pension-based salary consists of the fixed annual salary plus the average variable compensations during the previous three years.

20 Provision for pensions – benefits to senior executives, cont'd

Compensation and other benefits during 2017

SEK t	Basic salary board fees	Variable remuneration	LTI	Other benefits	Pension expenses	Total
Chairman of the board Jan Svensson	450	-	-	-	-	450
Member of the board Per Borgvall	225	-	-	-	-	225
Member of the board Gunnar Gremlin	225	-	-	-	-	225
Board member Ylva op den Velde Hammargren	225	-	-	-	-	225
Board member Johan Menckel	225	-	-	-	-	225
Board member Gunilla Fransson	225	-	-	-	-	225
CEO Sven Kristensson	4,112	1,921	-	143	1,392	7,568
Other senior executives (8 individuals)	12,915	3,146	-	1,325	3,435	20,821
Total	**18,602**	**5,067**	**-**	**1,468**	**4,827**	**29,964**
of which subsidiaries (4 individuals)	7,260	1,638	-	979	1,785	11,662

Compensation and other benefits during 2016

SEK t	Basic salary board fees	Variable remuneration	Share saving programme/LTI	Other benefits	Pension expenses	Total
Chairman of the board Jan Svensson	450	-	-	-	-	450
Member of the board Per Borgvall	225	-	-	-	-	225
Member of the board Fabian Hielte	225	-	-	-	-	225
Member of the board Gunnar Gremlin	225	-	-	-	-	225
Board member Ylva op den Velde Hammargren	225	-	-	-	-	225
Board member Johan Menckel	225	-	-	-	-	225
Board member Gunilla Fransson	90	-	-	-	-	90
CEO Sven Kristensson	4,074	897	708	134	1,342	7,155
Other senior executives (7 individuals)	13,585	271	279*	850	2,917	17,902
Total	**19,324**	**1,168**	**987**	**984**	**4,259**	**26,722**
of which subsidiaries (4 individuals)	7,278	50	23*	578	1,788	9,717

*) Remunerations include reversals of costs taken in 2015 with regard to executives that have left their employment in 2016.

LTI (LONG TERM INCENTIVE)

The Annual General Meeting held on 19 April 2017 approved the Board's proposal that the annual programmes for variable remuneration shall be able to be supplemented by a programme for long-term bonuses (LTI). Consequently, the 2017-2018 LTI programme has been established for a period of two years and is targeted in a way that makes it particularly favourable for the company's shareholders. The result of the LTI programme for the senior executives (net after income tax), shall be reinvested in share warrants in Nederman or in Nederman shares. Share warrants require the approval upon a relevant future AGM at Nederman. The reinvested shares and warrants are expected to be maintained by the senior executive during his time of employment, but at least three years. The 2017-2018 LTI programme covers two years and can be a maximum of 35 percent of an annual salary for the CEO, and 20 percent of an annual salary for other senior executives.

24 Provisions

Provisions that are long-term liabilities, SEK m	2017	2016
Restructuring /severance pay	0.4	-
Guaranty commitments	5.8	6.1
Loss contract	2.4	-
Other	0.9	0.4
	9.5	**6.5**

Provisions that are current liabilities, SEK m	2017	2016
Restructuring /severance pay	-	0.2
Guaranty commitments	20.3	22.4
Loss contract	0.5	1.3
Other	4.7	2.3
	25.5	**26.2**

Restructuring /severance pay, SEK m	2017	2016
Reported value, opening balance	0.2	15.1
Provisions during the period	0.2	0.2
Amount used during the period	-	-15.1
Translation differences	-0.0	0.0
	0.4	**0.2**

Warranty exposure, SEK m	2017	2016
Reported value, opening balance	28.5	34.0
Provisions during the period	6.5	3.2
Amount used during the period	-6.2	-8.3
Business acquisition	0.4	-
Reclassification	4.0	3.8
Unutilised amount returned during the period	-6.3	-5.6
Translation differences	-0.8	1.4
	26.1	**28.5**

21 Provisions, cont'd

Loss contract, SEK m	2017	2016
Reported value, opening balance	1.3	2.9
Provisions during the period	3.5	0.3
Amount used during the period	-0.5	-
Reclassification	-	-0.1
Unutilised amount returned during the period	-1.2	-1.6
Translation differences	-0.2	-0.2
	2.9	**1.3**

Other, SEK m	2017	2016
Reported value, opening balance	2.7	2.3
Provisions during the period	4.3	0.9
Amount used during the period	-0.1	-
Business acquisition	-0.8	-
Reclassification	-0.2	0.3
Unutilised amount returned during the period	-0.1	-0.9
Translation differences	-0.2	0.1
	5.6	**2.7**

Total provisions, SEK m	2017	2016
Reported value, opening balance	32.7	54.3
Provisions during the period	14.5	4.6
Amount used during the period	-6.8	-23.4
Business acquisition	-0.4	-
Reclassification	3.8	4.0
Unutilised amount returned during the period	-7.6	-8.1
Translation differences	-1.2	1.3
	35.0	**32.7**

Warranties

Provision for product warranties are based on a calculation made on historical data.

22 Other liabilities

Other long-term liabilities, SEK m	2017	2016
Deferred payment of acquisition price upon business acquisition (see more in note 4)	152.1	-
Other liabilities	1.6	1.4
	153.7	**1.4**

Other short-term liabilities, SEK m	2017	2016
Personnel-related liabilities	32.7	29.5
VAT payable	24.6	19.1
Fair value of currency derivatives	0.1	3.7
Advances from customers	48.8	52.7
Invoiced income not yet recognized concerning projects	118.8	163.2
Other liabilities	13.6	8.8
	238.6	**277.0**

23 Accrued Expenses and Prepaid Income

SEK m	2017	2016
Personnel-related expenses	104.6	114.8
Audit expenses	4.9	3.7
Sales costs	7.8	6.1
Freight and customs costs	0.2	0.2
Other	31.1	32.1
	148.6	**156.9**

24 Financial risks and financial policies

RISKS AND UNCERTAINTIES – FINANCE POLICY

The Nederman Group is exposed to a number of risks mainly arising due to purchasing and selling products in foreign currencies. Currency rates and interest rates affect the Group's earnings and cash flow. The Nederman Group is also exposed to refinancing and liquidity risks, credit risks and counterparty risks. The board of directors sets policies for risk management. The Nederman Group's central finance department is responsible for identifying and effectively limiting the Group's financial risks. The finance function reports via CFO to the Board.

LIQUIDITY RISKS

The liquidity in the Group is not exposed to any significant seasonal fluctuations. The parent company has a financing agreement with Skandinaviska Enskilda Banken (SEB) formulated as a 5-year framework agreement amounting to SEK 1,000m. The agreement runs to December 2020. At the end of the year this had been utilised to the amount of SEK 527.3m (554.3) in revolving credit. The parent company also has a financing agreement with Svenska Handelsbanken (SHB) formulated as a 3-year framework agreement amounting to SEK 400m. The agreement runs to June 2020. At the end of the year this had been utilised to the amount of SEK 295.4 m (147.7) in revolving credit. During the year, borrowings have been made in the amount of SEK 150.0 m (14.0) and amortisation has taken place in the amount of SEK 0.0 m (138.1). In the event of a change of ownership, where a party or parties acting together, acquire shares corresponding to more than 50 percent of the votes, the bank has the right to cancel the agreement in advance under certain conditions.

INTEREST RISKS

The Nederman Group is via its net debt exposed to interest rate risk. The Group's interest-bearing assets and liabilities are subject to variable interest rates or with a maximum term or interest rate commitment of three months, according to financing agreements with the Group's lenders. A change in interest rate of 1 percent would have affected net financial items in 2017 by SEK 5.5m (6.6) based on the average net debt of the year. The Nederman Group has made the assessment that any reasonable changes in interest rates will not affect the Group's earnings in such a significant way that there is any need to hedge against interest rate rises via financial instruments. This assessment is updated regularly.

EFFECTIVE INTEREST AND MATURITY STRUCTURE

The table below presents the effective interest rate on the closing day and the financial liabilities' maturity structure/interest rate renegotiation. The effective interest rate is 1.79 percent (1.69).

2017, SEK m	Interest rate %	Interest extension Time	Currency	Nominal amounts in original currency	Total	Within 3 months	Between 3 and 12 months	Between 1 and 3 yrs	Between 3 and 5 yrs
Bank loan (revolving)	0.750	28.02.2018	SEK	110.8	112.8	0.5	1.5	110.8	-
Bank loan (revolving)	0.750	28.02.2018	SEK	14.0	14.4	0.1	0.2	14.1	-
Bank loan (revolving)	0.900	31.01.2018	SEK	58.0	60.7	0.3	0.8	59.6	-
Bank loan (revolving)	0.900	31.01.2018	EUR	17.2	178.6	0.8	2.3	175.5	-
Bank loan (revolving)	2.469	31.01.2018	USD	36.5	316.4	1.3	4.0	311.1	-
Bank loan (revolving)	2.130	31.01.2018	USD	2.6	22.0	0.1	0.3	21.6	-
Bank loan (revolving)	0.750	31.01.2018	SEK	150.0	153.8	0.7	2.0	151.1	-
Financial leasing liabilities					0.4	0.1	0.1	0.1	0.1
Accounts payable					298.9	284.3	14.6	-	-
Derivatives					0.1	-0.0	0.1	0.0	-
2016, SEK m									
Bank loan (revolving)	0.950	28.02.2017	SEK	110.8	114.6	0.5	1.4	112.7	-
Bank loan (revolving)	0.950	28.02.2017	SEK	14.0	14.6	0.1	0.2	14.3	-
Bank loan (revolving)	1.050	31.01.2017	SEK	58.0	62.4	0.2	0.7	2.0	59.5
Bank loan (revolving)	1.050	31.01.2017	EUR	17.2	178.6	0.7	2.1	5.6	170.2
Bank loan (revolving)	1.885	28.02.2017	USD	2.6	24.6	0.1	0.3	24.2	-
Bank loan (revolving)	1.820	31.01.2017	USD	36.5	360.2	1.4	4.2	11.2	343.4
Financial leasing liabilities					0.5	0.1	0.2	0.2	-
Accounts payable					315.2	307.2	8.0	-	-
Derivatives					-3.0	-2.3	-0.7	-	-

24 Financial risks and financial policies, cont'd

The Group's agreements with SEB and SHB on bank loans include net debt covenants whereby net debt/EBITDA shall be a maximum of 3.5 times and interest rate coverage shall be a minimum of 3.75. On the closing date all covenants had been fulfilled.

Interest on the loan is variable, but is normally set for three months.

According to the Group's finance policy, the board of directors establishes from time to time whether interest rate swaps will be used in order to hedge interest rates. At the present time the Board has decided that there shall be no interest rate hedges. This decision may be reviewed in connection with a possible increase of the loan exposure.

The Group's financial liabilities, excluding provision for pensions amounted at the end of the year to SEK 822.8m of which SEK 822.4 m was for revolving credit and SEK 0.4 m for financial leasing liabilities. SEK 0.0 m of the bank overdraft was utilised.

The Group had SEK 360.9m in cash and cash equivalents and SEK 98.4m in unutilised credit. In addition there was a credit facility of SEK 472.7m, which is a part of Nederman's loan agreement with SEB and a further SEK 104.6 as part of Nederman's loan agreement with SHB. On 31 December 2017 the disposable amount of funds was therefore SEK 1,036.6 m.

CREDIT RISKS

Credit risks in accounts receivable

The risk that the Group's customers may not pay their trade debts constitutes a customer credit risk. In order to limit this, the Nederman Group uses credit policies which limit the outstanding amounts and credit terms for different customers. For new customers and for risk markets it is normally required a letter of credit or advance payment. For established customers the credit limit is set and carefully monitored in order to limit the risks. The Group's largest individual customer accounted for 2.0 percent of sales. The five largest customers accounted for 5.6 percent of sales. The allocation of risk may thus be considered to be very good.

The Group's bad debt losses amounted to SEK 3.2m in 2017. Of the Group's total accounts receivable after impairment of SEK 529.5m, 5.2 percent (4.3) is made up of receivables overdue by more than 90 days. Provisions for credit losses are made after an individual assessment. As of 31 December 2017, the provisions for credit losses amounted to SEK 25.7 m (19.7) corresponding to 4.6 percent (3.6) of total accounts receivables.

In certain cases, credit insurance is used to secure the payments from customers. In larger projects requires payment terms include a fixed-payment plan with payments based on the degree of completion.

Maturity structure, net after provision for dubious trade receivables, SEK m	2017	2016
Not overdue	362.9	356.8
Overdue accounts receivables:		
1-30 days	93.2	95.9
31-60 days	29.0	28.8
61-90 days	17.0	20.9
91-180 days	18.9	11.4
181-360 days	5.8	9.9
>360 days	2.7	1.4
Total overdue accounts receivables	**166.6**	**168.3**
Total accounts receivables	**529.5**	**525.1**

The provision for bad debt losses changed during the year as follows:	2017	2016
Opening balance	-19.7	-20.2
Business acquisition	-2.1	-
Provisions for uncertain receivables	-9.6	-2.6
Receivables written off and not recoverable	3.5	1.8
Reversed provisions	1.6	1.8
Translation differences	0.6	-0.5
Closing balance	**-25.7**	**-19.7**

Other counterparties

Credit exposure arises with the investments of liquid funds and trading in derivative instruments. The risk that the counterparty does not fulfil its obligations is limited via the choice of creditworthy counterparties. According to the Group's finance policy, liquid funds will only be invested in first-class banks.

Foreign currency risks

The Nederman Group is via its international operations exposed to currency risks due to changes in exchange rates, which influence the Group's income statement and statement of financial position. The Group's currency exposure encompasses both transaction exposure and translation exposure.

Transaction exposure

Transaction exposure arises when Group companies make purchases in one currency and sell in another currency. In order to limit the transaction exposure in the Nederman Group, the main rule is that the providing companies sell to the sales companies in the sales company's local currency. The transaction exposure in this way thus becomes very small in the sales companies.

The largest supply company is located in Sweden and 61 percent of purchases there are done in SEK. Other purchases are made mainly in EUR and to a smaller extent in USD and GBP.

It is mainly for larger projects on export markets that the pricing is in foreign currencies and in these cases the translation exposure is hedged.

24 Financial risks and financial policies, cont'd

Invoicing in 2017 was:	
USD	34%
EUR	21%
SEK	8%
CNY	7%
GBP	5%
DKK	4%
NOK	3%
PLN	3%
AUD	2%
CAD	2%
THB	2%
Other	9%

According to the Group's finance policy around 70 percent of the expected currency flows in foreign currencies are hedged against currency risk eight months forward. In cases where the currency exposure occurs in tangible projects the currency exposure is hedged. In 2017 the Nederman Group used foreign exchange forward contracts to hedge currency exposure. Hedge accounting is applied for derivative instruments entered into to hedge highly probable forecasted sales in EUR, GBP, PLN and USD, and for forecasted purchases in EUR, GBP, PLN and USD.

Cash flow hedges have been deemed effective, and on the balance sheet date for 2017 an unrealised gain of SEK 3.1m (-2.8) was reported in other comprehensive income attributable to revaluation of foreign exchange forward contracts at fair value. The ineffectiveness for cash flow hedging posted to the income statement, where it included operating profits, amounted as of the balance sheet date to SEK 0.0m (-1.7).

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

Period when cash flow hedges affect earnings

	2018				2019		
SEK m	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Total**
Foreign exchange forwards in USD m	-	0.1	-	0.1	-	0.0	0.2
Foreign exchange forwards in NOK m	-0.0	-	-0.1	-	-0.0	-	-0.1

A change in exchange rates of +/- 3 percent entails an effect on the operating profits of:

2017, SEK m	-3%	+3%
EUR	-5.0	5.0
USD	-5.9	5.9
GBP	-1.4	1.4
PLN	-1.0	1.0

2016, SEK m	-3%	+3%
EUR	-6.7	6.7
USD	-6.8	6.8
GBP	-2.0	2.0
PLN	-0.4	0.4

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

FAIR VALUE

In substance, fair value corresponds to recorded value in the statement of financial position. The major part of the Group's financial instruments consists of accounts receivables, cash and cash equivalents, interest bearing liabilities and accounts payables, measured at amortised cost. For these categories of financial instruments the recorded value at cost corresponds to fair value. The Group holds derivative instruments, classified as financial assets and liabilities at fair value through profit or loss, in the category held for trading. Recorded value and fair value for these instruments are stated below. For this category of financial instruments the fair value has been based upon observable market data not quoted in an active market.

Calculation of fair value.

Financial instruments measured at fair value are divided across the following three levels:

1. Fair value of listed financial instruments based on current market values on the closing date.
2. For unlisted financial instruments, or inactive markets, the value is acquired using assessment methods and the Group makes assumptions based on market conditions on the closing date. Market interest rates are used to calculate the fair value of long-term loans.
3. For financial instruments whose value is not based on observable data, i.e. for market value is not indicated, fair value is considered to be the same as reported value.

The market value used to determine fair value was established using directly observable market data not listed on an active market (level 2).

24 Financial risks and financial policies, cont'd

Financial assets 2017, SEK m	Posted at fair value: Currency contracts	Not posted at fair value: Accounts receivables	Other short-term receivables	Cash and cash equivalents
Level	2			
Note	14		14	28
Holdings for trading purposes	-	-	-	-
Identified at fair value	-	-	-	-
Hedging instruments	0.2	-	-	-
Investments held to maturity	-	-	-	-
Loans and accounts receivable	-	529.5	139.1	360.9
Financial assets that may be sold	-	-	-	-
Other liabilities	-	-	-	-
Total	**0.2**	**529.5**	**139.1**	**360.9**

Financial liabilities 2017, SEK m	Posted at fair value: Currency contracts	Not posted at fair value: Bank loans	Financial leasing liabilities	Cheque overdraft credit	Accounts payable	Other short-term liabilities
Level	2					
Note	22	19	19	19		22, 23
Holdings for trading purposes	-	-	-	-	-	-
Identified at fair value	-	-	-	-	-	-
Hedging instruments	-0.1	-	-	-	-	-
Investments held to maturity	-	-	-	-	-	-
Loans and accounts receivable	-	-	-	-	-	-
Financial assets that may be sold	-	-	-	-	-	-
Other liabilities	-	-822.4	-0.4	-	-298.9	-387.2
Total	**-0.1**	**-822.4**	**-0.4**	**-**	**-298.9**	**-387.2**

Financial assets 2016, SEK m	Posted at fair value: Currency contracts	Not posted at fair value: Accounts receivable	Other short-term receivables	Cash and cash equivalents
Level	2			
Note	14		14	28
Holdings for trading purposes	-	-	-	-
Identified at fair value	-	-	-	-
Hedging instruments	0.7	-	-	-
Investments held to maturity	-	-	-	-
Loans and accounts receivable	-	525.1	202.4	287.8
Financial assets that may be sold	-	-	-	-
Other liabilities	-	-	-	-
Total	**0.7**	**525.1**	**202.4**	**287.8**

Financial liabilities 2016 , SEK m	Posted at fair value: Currency contracts	Not posted at fair value: Bank loans	Financial leasing liabilities	Cheque overdraft credit	Accounts payable	Other short-term liabilities
Level	2					
Note	22	19	19	19		22, 23
Holdings for trading purposes	-	-	-	-	-	-
Identified at fair value	-	-	-	-	-	-
Hedging instruments	-3.7	-	-	-	-	-
Investments held to maturity	-	-	-	-	-	-
Loans and accounts receivable	-	-	-	-	-	-
Financial assets that may be sold	-	-	-	-	-	-
Other liabilities	-	-702.4	-0.5	-	-315.2	-430.2
Total	**-3.7**	**-702.4**	**-0.5**	**-**	**-315.2**	**-430.2**

The reported value of accounts receivable, other receivables, cash and cash equivalents, accounts payable and other liabilities constitute a reasonable approximation of fair value.

24 Financial risks and financial policies, cont'd

Financial instruments assessed at fair value

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

Financial instruments not assessed at fair value

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

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

NETTING AGREEMENTS AND SIMILAR AGREEMENTS

The Group enters into derivative contracts under the International Swaps and Derivatives Association (ISDA) master netting agreements. The agreements mean that when a counterparty is unable to regulate their obligations under any transaction the contract is cancelled and all outstanding transactions shall be governed by a net amount. ISDA contracts do not meet the criteria for offsetting in the report on financial position. This is because the offset under ISDA agreements are only allowed if the other party or the Group can not settle their obligations. Moreover, it is not the other party or the Group's intention to settle the balances on a net basis, or at the same time.

The information in the table below shows financial instruments covered by a legally enforceable master netting agreement or a similar agreement.

2017, SEK m	Note	Financial assets	Financial liabilities	Net amount in report on financial position	Financial instrument which are not receipts	Net amounts
Financial assets						
Other investments, including derivatives						
- Currency derivatives	14	0.2	-	-	-	0.2
Financial liabilities						
Accounts payable and other liabilities						
- Currency derivatives	22	-	-0.1	-	-	-0.1

2016, SEK m	Note	Financial assets	Financial liabilities	Net amount in report on financial position	Financial instrument which are not receipts	Net amounts
Financial assets						
Other investments, including derivatives						
- Currency derivatives	14	0.7	-	-	-	0.7
Financial liabilities						
Accounts payable and other liabilities						
- Currency derivatives	22	-	-3.7	-	-	-3.7

24 Financial risks and financial policies, cont'd

The following foreign exchange forward contracts had been entered on the closing date:

Currency	Amount to sell in the original currency	Amount to obtain SEK m	Recorded value, SEK m	Marketing value, SEK m
USD m	1.6	13.1	0.2	0.2
NOK m	3.6	3.6	-0.1	-0.1
		16.7	**0.1**	**0.1**
Total market value			**0.1**	**0.1**

Translation exposure

Net assets in the Group are divided across the following currencies:

Currency, SEK m		2017		2016
SEK	674.1	63%	656.6	67%
EUR	204.1	19%	186.1	19%
GBP	60.6	6%	47.0	5%
USD	6.2	1%	9.6	1%
CAD	10.2	1%	10.2	1%
NOK	47.0	4%	0.0	0%
PLN	103.5	10%	101.2	10%
CNY	59.0	5%	57.6	6%
DKK	-144.6	-13%	-158.3	-16%
BRL	20.0	2%	26.6	3%
Other	35.7	2%	45.6	5%
	1,075.8	**100%**	**982.2**	**100%**

The Group's policy is not to hedge translation exposure in foreign currency.

25 Operational Leasing

Leasing fees were the company is the lessee, SEK m	2017	2016
Future payments for non-cancellable leasing contract amount to:		
Within one year	57.7	52.1
Between one and five years	123.5	85.3
More than five years	15.9	7.0
	197.1	**144.4**

Of the Group's operational leasing contracts the major part concerns rental agreements for property and the premises where the business operations are conducted.

Expenses for operating leases, SEK m	2017	2016
Minimum leasing fees	54.4	50.5
Variable fees	0.2	0.0
	54.6	**50.5**

26 Pledged assets and contingent liabilities

Pledged assets , SEK m	2017	2016
Pledged assets for debts and provisions		
Assets with ownership restrictions (financial leasing)	0.9	0.8
	0.9	**0.8**

Contingent liabilities, SEK m	2017	2016
FPG/PRI	0.7	0.8
Guaranty commitments	96.5	97.8
	97.2	**98.6**

27 Related parties

CLOSELY RELATED RELATIONSHIPS

No member of the Board of Directors or senior executives have or have had any direct or indirect participation in any business transaction with Group companies which is or was of an exceptional character with regard to terms and conditions that occurred during the year or in any previous year. Nor has any Group company provided any loan, given any guarantees or entered into any surety relationships for any of the members of the Board of Directors or senior executives. For intercompany transactions see, accounting principles note 1.

TRANSACTIONS WITH KEY PERSONS IN LEADING POSITIONS

Regarding the salaries and other remuneration, costs and commitments for pensions and similar benefits, and severance payment agreements, for Board members, the CEO and other senior executives, see note 20.

28 Statement of cash flow

Liquid funds, SEK m	2017	2016
Subcomponents in cash and cash equivalents:		
Cash and cash equivalents	360.9	287.8
Total according to statement of financial position	**360.9**	**287.8**

Adjustments for items not included in cash flow, SEK m	2017	2016
Capital gain on sale of tangible assets	0.4	-0.4
Provisions	3.2	-23.0
	3.6	**-23.4**

Unused credits, SEK m	2017	2016
Disposable funds	1,036.6	1,087.7

The below table shows changes in liabilities included in financial activities.

			Items not affecting cash flow			
	Amount at beginning of the year	Cash flow	Business acquisition	Interest	Exchange rate gains/losses	Amount at year end
Long-term interest bearing liabilities - bank loans	702,2	149,6	0,5	-0,9	-29,2	822,2
Short-term interest bearing liabilities - bank loans	0,2	-	-	-	-	0,2
Financial lease liabilities	0,5	-0,1	-	-	-	0,4
Total	**702,9**	**149,5**	**0,5**	**-0,9**	**-29,2**	**822,8**

29 Alternative performance measure

In addition to information on our reported IFRS results, we provide certain information on an underlying business performance basis. We believe that our underlying business performance measures provide meaningful supplemental information to both management, investors and other stakeholders. These underlying business performance measures should not be viewed in isolation or as substitutes to the equivalent IFRS measures, but should be used in conjunction with the most directly comparable IFRS measures in the reported results. This is a consistent application compared to previous periods.

The following underlying business measures are used:
Adjusted operating profits. Adjusted operating margin, EBIDTA, Adjusted EBIDTA, Adjusted EBITDA margin. Equity/asset ratio, Net debt, Net debt/equity ratio. Operating capital. Return on equity. Return on operating capital. Capital turnover ratio. Net debt/adjusted EBITDA, Adjusted EBITDA/Net financial items. Interest cover ratio. Organic growth. Sales growth.

SEK m	2017	2016
Operating profit	278.1	250.3
Acquisition costs	7.7	-
Restructuring costs	-	-
Adjusted operating profit	**285.8**	**250.3**
Adjusted operating profit	285.8	250.3
Net sales	3,148.5	3,107.3
Adjusted operating margin, %	**9.1**	**8.1**
Operating profit	278.1	250.3
Depreciation	52.7	47.7
EBITDA	**330.8**	**298.0**
EBITDA	330.8	298.0
Acquisition costs	7.7	-
Restructuring costs	-	-
Adjusted EBITDA	**338.5**	**298.0**
Adjusted EBITDA	338.5	298.0
Net sales	3,148.5	3,107.3
Adjusted EBITDA margin, %	**10.8**	**9.6**
Equity - Closing balance	1,075.8	982.2
Balance sheet total	2,970.9	2,653.4
Equity/assets ratio, %	**36.2**	**37.0**
Cash and cash equivalents	360.9	287.8
Long-term interest-bearing liabilities	822.5	702.4
Pension liabilities	123.4	109.2
Current interest bearing liabilities	0.3	0.5
Net debt	**585.3**	**524.3**

29 Alternative performance measure, cont'd

SEK m	2017	2016
Net debt	585.3	524.3
Equity - Closing balance	1,075.8	982.2
Net debt/equity ratio, %	**54.4**	**53.4**
Net debt	585.3	524.3
Equity - Closing balance	1,075.8	982.2
Operating capital	**1,661.1**	**1,506.5**
Equity - Opening balance	982.2	837.1
Equity - Closing balance	1,075.8	982.2
Equity - average	1,029.0	909.7
Net profit/loss for the period	186.3	172.1
Return on equity, %	**18.1**	**18.9**
Equity - average	1,029.0	909.7
Net Debt - opening balance	524.3	635.6
Net Debt - closing balance	585.3	524.3
Net Debt - average	554.8	580.0
Working capital - average	1,583.8	1,489.7
Adjusted operating profit	285.8	250.3
Return on operating capital, %	**18.0**	**16.8**
Net sales	3,148.5	3,107.3
Working capital - average	1,583.8	1,489.7
Capital turnover rate, multiple	**2.0**	**2.1**
Net debt	585.3	524.3
Adjusted EBITDA	338.5	298.0
Net debt/Adjusted EBITDA, multiple	**1.7**	**1.8**
Adjusted EBITDA	338.5	298.0
Net financial items	-18.0	-18.6
Adjusted EBITDA/net financial items, multiple	**18.8**	**16.0**
Profit before tax	260.1	231.7
Financial expenses	24.8	21.4
Acquisition costs	7.7	-
Restructuring costs	-	-
EBT excl. financial expenses, acquisition costs and restructuring costs	292.6	253.1
Financial expenses	24.8	21.4
Interest cover ratio, multiple	**11.8**	**11.8**
Incoming orders, same period in previous year	2,992.3	3,171.8
Change in incoming orders, organic	137.6	-209.0
Change in incoming orders, currency effects	10.6	-8.4
Change in incoming orders, acquisitions	16.8	37.9
Incoming orders	**3,157.3**	**2,992.3**
Order growth, %, organic	4.6	-6.7
Order growth, %, currency effects	0.3	-0.3
Order growth, %, structural	0.6	1.3
Order growth, %	**5.5**	**-5.7**
Net sales, comparative period previous year	3,107.3	3,198.0
Change in net sales, organic	3.6	-127.1
Change in net sales, currency effects	9.9	-7.3
Change in net sales, acquisitions	27.7	43.7
Net sales	**3,148.5**	**3,107.3**
Sales growth, %, organic	0.1	-4.0
Sales growth, %, currency effects	0.3	-0.2
Sales growth, %, acquisitions	0.9	1.4
Sales growth, %	**1.3**	**-2.8**

30 Occurrences following the balance sheet date

No significant events have occurred after the closing date.

31 Important estimations and assessments

Certain assumptions about the future and certain estimations and assessments as of the close of the reporting period have special importance for the value of the assets and liabilities in the balance sheet. Presented below are the areas where the risk of changes in value during the subsequent year is significant because the assumptions or estimations may need to be changed.

EXAMINATION FOR IMPAIRMENT OF GOODWILL

The book value of goodwill is reviewed at least once a year with respect to the possible need for impairment. The review requires an assessment of the value in use of the cash-generating unit, or group of cash-generating units, to which the goodwill value relates. This requires that several assumptions about the future situation and estimates of parameters have been made. A report of these are found in note 12. As described in note 12 a change during 2017 in the conditions for these assumptions and estimations might have an effect on the value of the goodwill. The senior executives are of the opinion however that no reasonable changes in important assumptions at the impairment test of the cash-generating units will result in a recoverable value lower than the carrying amount.

INCOME TAXES

When estimating deferred tax assets and tax liabilities an assessment is made concerning the probability of whether the deferred tax assets will be utilised for settlement against future taxable profit. The fair value of these future taxable profits may deviate in terms of the future business climate and earnings capability or due to changed tax rules, see note 11.

INVENTORY ACCOUNTING

Inventory is posted at the lower figure between the acquisition value and the net realisable value. Valuation and assessment with regard to inventories are governed through internal regulations, which is obligatory to follow for all companies within the Group. The aim is to ensure that the Inventory is valued at the lower figure between the acquisition value and the net realisable value. When calculating the net sales value, assumptions are mode concerning outgoing items, items with over-resistance, damages goods and estimated sales value based on the available information. Inventory reserves as of 31 December amounted to SEK 80.3 (88.1)

SOLUTION SALES

The revenue accounting attributable to project sales requires an assessment of how great an extent the project has progressed, which calls for some estimations. The project sales are responsible for a considerable part of net sales and entail considerable amounts of estimations.

32 Information about the parent company

Nederman Holding AB (publ) is a Swedish registered limited company with its registered office in Helsingborg, Sweden. The parent company's shares are registered on the Nasdaq Stockholm Mid Cap list.

The address of the main office is:
P.O. Box 602, SE-251 06 Helsingborg, Sweden.
Visiting address is Sydhamnsgatan 2.

The consolidated reporting for 2017 comprises the parent company and its subsidiaries, collectively referred to as the Group.

Income statement for the Parent company

SEK m	Note	1 January - 31 December 2017	2016
Net sales	1, 18	27.1	24.2
Administrative expenses		-100.9	-84.9
Research and development expenses		-5.4	-2.7
Restructuring costs		-	-0.8
Other operating revenues and expenses	2	-0.2	5.2
Operating profit	3, 4, 13, 16	**-79.4**	**-59.0**
Earnings from participations in Group companies	5, 18	100.7	85.2
Interest income and similar items	5, 18	35.7	32.2
Interest expenses and similar items	5, 18	-17.2	-13.9
Profit after financial items		**39.8**	**44.5**
Group contribution	6, 18	112.4	101.8
Profit before tax		**152.2**	**146.3**
Taxes	7	-8.9	-14.1
Net profit for the year		**143.3**	**132.2**

Statement of comprehensive income for the Parent company

SEK m	Note	1 January - 31 December 2017	2016
Net profit for the year		**143.3**	**132.2**
Other comprehensive income		-	-
Items that cannot be reclassified to the income statement		-	-
Items that have been or can be reclassified to net profit		-	-
Other comprehensive income for the year, net after tax		-	-
Total comprehensive income for the year		**143.3**	**132.2**

Balance sheet for the Parent company

SEK m	Note	2017	31 December 2016
Assets			
Intangible fixed assets	8	60.4	44.6
Tangible fixed assets	9	0.4	1.0
Financial fixed assets			
Long-term receivables, Group companies	18	532.3	576.6
Participations in Group companies	19	1,311.8	906.5
Other long-term accounts receivable	7	2.1	10.9
Total financial fixed assets		1,846.2	1,494.0
Total fixed assets		**1,907.0**	**1,539.6**
Current assets			
Receivables from Group companies	18	347.8	319.1
Tax assets	7	1.2	1.2
Other receivables	10	11.5	5.6
Prepaid expenses and accrued income	11	7.9	5.7
Cash and cash equivalents	20	127.1	131.9
Total current assets		**495.5**	**463.5**
Total assets		**2,402.5**	**2,003.1**
Equity			
Restricted equity			
Share capital		1.2	1.2
Reserves		292.5	292.5
Fund for development expenses		13.0	7.0
Unrestricted equity	21		
Share premium reserve		5.9	5.9
Retained earnings		412.9	351.0
Net profit for the year		143.3	132.2
Total equity		**868.8**	**789.8**
Liabilities			
Credit institution liabilities	12	821.9	701.9
Other long-term liabilities	14	152.1	-
Total long-term liabilities		**974.0**	**701.9**
Accounts payable		18.4	12.8
Liabilities to Group companies	18	521.5	482.4
Other liabilities	14	1.3	1.7
Accrued expenses and prepaid income	15	18.5	14.5
Total current liabilities		**559.7**	**511.4**
Total equity and liabilities		**2,402.5**	**2,003.1**

For information on the parent company's pledged assets and contingent liabilities, see note 17.

Statement of changes in equity for the Parent company

	Restricted equity			Unrestricted equity		Total equity
	Share capital	Reserves	Fund for development expenses	Share premium reserve	Retained Earnings, incl. Net profit for the year	Profit brought forward
Opening equity 01/01/2016	1.2	292.5	–	5.9	415.9	715.5
Net profit for the year	–	–	–	–	132.2	132.2
Transfer to development fund	–	–	7.0	–	-7.0	-
Other comprehensive income						
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**7.0**	**-**	**125.2**	**132.2**
Transactions with Group's owners						
Dividends	–	–	–	–	-58.4	-58.4
Share-based remuneration	–	–	–	–	0.5	0.5
Closing equity 31/12/2016	**1.2**	**292.5**	**7.0**	**5.9**	**483.2**	**789.8**
Opening equity 01/01/2017	1.2	292.5	7.0	5.9	483.2	789.8
Net profit for the year	–	–	–	–	143.3	143.3
Transfer to development fund	–	–	6.0	–	-6.0	-
Other comprehensive income						
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**6.0**	**-**	**137.3**	**143.3**
Transactions with Group's owners						
Dividends	–	–	–	–	-64.3	-64.3
Share-based remuneration	–	–	–	–	-	-
Closing equity 31/12/2017	**1.2**	**292.5**	**13.0**	**5.9**	**556.2**	**868.8**

Cash flow statement for the Parent company

SEK m	Note	1 January - 31 December 2017	2016
Operating activities			
Operating profit/loss		-79.4	-59.0
Adjustment for items not included in cash flow	20	14.2	38.4
Dividends received	18	110.7	95.2
Interest received and other financial items		32.2	32.3
Interest paid and other financial items		-17.2	-11.7
Income tax paid		-0.0	-0.3
Cash flow from operating activities before changes in working capital		**60.5**	**94.9**
Cash flow from changes in working capital			
Increase (-)/Decrease(+) of operating receivables		108.2	99.4
Increase (+)/Decrease (-) of operating liabilities		3.1	1.3
		111.3	**100.7**
Cash flow from operating activities		**171.8**	**195.6**
Investing activities			
Capital expenditure for tangible fixed assets		0.5	-1.0
Capital expenditure for intangible fixed assets		-29.9	-25.8
Acquisition/capital contribution, subsidiaries		-263.9	-7.6
Cash flow from investing activities		**-293.3**	**-34.4**
Financial activities			
New loans		149.2	14.0
Amortisation of loans		-	-137.1
Change in interest-bearing receivables/liabilities		31.8	140.2
Dividend paid		-64.3	-58.4
Cash flow from financing activities		**116.7**	**-41.3**
Cash flow for the year		**-4.8**	**119.9**
Cash and cash equivalents at the beginning of the year		131.9	12.0
Cash and cash equivalents at the end of the year	20	**127.1**	**131.9**

1 Net sales

SEK m	2017	2016
Management charges, debited to subsidiaries	27.1	24.2
	27.1	**24.2**

2 Other operating income and expenses

SEK m	2017	2016
Exchange gains and losses on operating receivables/liabilities	-0.2	5.2
	-0.2	**5.2**

3 Employees and staff expenses

			2017			2016
Average number of employees	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Sweden	13	11	24	12	12	24
Total in parent company	**13**	**11**	**24**	**12**	**12**	**24**

Distribution according to gender in senior management, percentage of women	2017	2016
Board of Directors, proportion of women	29%	25%
Other senior executives	25%	25%

Salaries, other remuneration and social security expenses, SEK m	2017	2016
Salaries and other remuneration	28.8	26.4
Social security expenses	16.2	15.4
(of which are pension expenses) 1)	(3.0)	(3.2)

1) Of the parent company's pension costs SEK 1.4m (1.3) concern the CEO for the parent company. There are no outstanding pension obligations to the Group's Board of Directors, CEO and senior executives.

Salaries and other remuneration allocated between the board of directors and other employees, SEK m	2017	2016
Board of Directors, CEO and senior executives	7.5	6.0
(of which variable compensation)	(0.9)	(0.4)
Other employees	21.3	20.4
	28.8	**26.4**

4 Fees and Expenses to Auditors

SEK m	2017	2016
EY		
Audit assignment	1.1	1.1
Other assignments	0.2	0.3
	1.3	**1.4**

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

5 Net financial items

SEK m	2017	2016
Earnings from participations in Group companies		
Dividends paid	110.7	95.2
Impairment of book value of shares in subsidiaries	-10.0	-10.0
	100.7	**85.2**
Interest income and similar items		
Interest income, credit institutions	0.5	0.0
Other financial income, Group companies	31.7	32.2
Exchange rate changes	3.5	-
	35.7	**32.2**
Interest expenses and similar items		
Interest expenses, credit institutions	-13.8	-11.7
Other financial expenses, Group companies	-0.7	-
Exchange rate changes	-2.7	-2.2
	-17.2	**-13.9**

6 Appropriations

SEK m	2017	2016
Group contribution	112.4	101.8
	112.4	**101.8**

7 Taxes

REPORTED IN INCOME STATEMENT, SEK m	2017	2016
Deferred tax expense (-) /tax income (+)		
Utilisation of previously activated loss carry forwards	-8.9	-14.1
Total reported tax expense	**-8.9**	**-14.1**

Reconciliation of effective tax, SEK m	2017	2016
Profit before tax	152.2	146.3
Tax according to the applicable tax rate for the Parent company	-33.5	-32.2
Non-tax deductible expenses	-2.3	-2.3
Non-taxable income	24.7	20.9
Utilisation of previously uncapitalised loss carry-forward	2.2	-0.5
Reported effective tax	**-8.9**	**-14.1**

Current tax receivables amount to SEK 1.2 m (1.2) and representing the recoverable amount of current tax on the result for the year.

POSTED TO THE STATEMENT OF FINANCIAL POSITION

Deferred tax assets, SEK m	2017	2016
Deferred tax assets relate to the following:		
Loss carryforwards	2.1	10.9
Tax assets according to statement of financial position	**2.1**	**10.9**

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

8 Intangible fixed assets

			2017
SEK m	Development in progress	Computer programs	Total
Accumulated cost			
Opening balance	17.0	54.8	71.8
Internally developed assets	6.8	-	6.8
Year's capital expenditure	-	23.2	23.2
Closing balance	**23.8**	**78.0**	**101.8**
Accumulated amortisation and impairment			
Opening balance	-2.2	-25.0	-27.2
Amortisation for the year	-2.6	-11.6	-14.2
Closing balance	**-4.8**	**-36.6**	**-41.4**
Carrying amount			
Opening balance	14.8	29.8	44.6
Closing balance	**19.0**	**41.4**	**60.4**

8 Intangible fixed assets, cont'd

SEK m	Development in progress	Computer programs	Total
			2016
Accumulated cost			
Opening balance	10.3	35.3	45.6
Internally developed assets	6.7	-	6.7
Year's capital expenditure	-	19.0	19.0
Reclassifications	-	0.5	0.5
Closing balance	**17.0**	**54.8**	**71.8**
Accumulated amortisation and impairment			
Opening balance	-0.3	-18.5	-18.8
Amortisation for the year	-1.9	-6.0	-7.9
Reclassifications	-	-0.5	-0.5
Closing balance	**-2.2**	**-25.0**	**-27.2**
Carrying amount			
Opening balance	10.0	16.8	26.8
Closing balance	**14.8**	**29.8**	**44.6**

Amortisation and impairments, SEK m	2017	2016
Amortisation is included in the following lines in the income statement:		
Cost of goods sold	-2.6	-1.9
Administrative expenses	-11.6	-6.0
	-14.2	**-7.9**

9 Tangible fixed assets

SEK m	Equipment, tools, fixtures	Total
		2017
Accumulated cost		
Opening balance	6.6	6.6
Year's capital expenditure	0.4	0.4
Sold and scrapped	-0.9	-0.9
Closing balance	**6.1**	**6.1**
Accumulated depreciation and impairment		
Opening balance	-5.6	-5.6
Depreciation for the year	-0.2	-0.2
Sold and scrapped	0.1	0.1
Closing balance	**-5.7**	**-5.7**
Carrying amount		
Opening balance	1.0	1.0
Closing balance	**0.4**	**0.4**

SEK m	Equipment, tools, fixtures	Total
		2016
Accumulated cost		
Opening balance	5.6	5.6
Year's capital expenditure	1.0	1.0
Closing balance	**6.6**	**6.6**
Accumulated depreciation and impairment		
Opening balance	-5.2	-5.2
Depreciation for the year	-0.4	-0.4
Closing balance	**-5.6**	**-5.6**
Carrying amount		
Opening balance	0.4	0.4
Closing balance	**1.0**	**1.0**

9 Tangible fixed assets, cont'd

Depreciation and impairments, SEK m	2017	2016
Depreciation is included in the following lines in the income statement:		
Administrative expenses	-0.2	-0.4
	-0.2	**-0.4**

10 Other receivables

Other receivables which are current assets, SEK m	2017	2016
VAT receivable	6.8	5.4
Other receivables	4.7	0.2
	11.5	**5.6**

11 Prepaid expenses and accrued income

SEK m	2017	2016
Computer/license costs	3.8	2.8
Insurance	2.0	1.3
Bank costs	0.9	1.1
Other	1.2	0.5
	7.9	**5.7**

12 Liabilities to credit institutes

Long-term liabilities, SEK m	2017	2016
Bank loans	821.9	701.9
	821.9	**701.9**

13 Pensions

DEFINED-CONTRIBUTION PLANS

In Sweden the Group has defined-contribution pension plans paid in full by the companies. Payments into these plans are continual in accordance with the rules for each plan.

SEK m	2017	2016
Costs for defined-contribution pension plans	3.0	3.2
	3.0	**3.2**

For more information about handling of pensions, see Group note 20.

14 Other liabilities

Other long-term liabilities, SEK m	2017	2016
Deferred payment of acquisition price (see more in Group note 4).	152.1	-
	152.1	**-**

Other short-term liabilities, SEK m	2017	2016
Personnel-related liabilities	1.3	1.7
	1.3	**1.7**

15 Accrued expenses and prepaid income

SEK m	2017	2016
Personnel-related expenses	14.0	11.6
Audit expenses	0.5	0.5
Other	4.0	2.4
	18.5	**14.5**

16 Operational leasing

Leasing fees were the company is the lessee, SEK m	2017	2016
Future minimum leasing fees for non-cancellable leasing contract amount to:		
Within one year	0.4	0.4
Between one and five years	0.3	0.2
	0.7	**0.6**

Expenses for operating leases, SEK m	2017	2016
Minimum leasing fees	0.7	0.6
	0.7	**0.6**

17 Pledged assets and contingent liabilities

Pledged assets , SEK m	2017	2016
In the form of pledged assets for own liabilities and provisions		
Shares in subsidiaries	none	none
	none	**none**

Contingent liabilities, SEK m	2017	2016
FPG/PRI	0.7	0.8
Guarantees on behalf of subsidiaries	355.4	363.1*
	356.1	**363.9**

* Amounts for 2016 have been changed compared with those of the previous year's annual report based on an updated assessment of the parent company's guarantees.

18 Related parties

Closely related relationships

The parent company has a closely related relationship with its subsidiaries, see note 19.

No member of the Board of Directors or senior executives have or have had any direct or indirect participation in any business transaction with Group companies which is or was of an exceptional character with regard to terms and conditions that occurred during the year or in any previous year. Nor has any Group company provided any loan, given any guarantees or entered into any surety relationships for any of the members of the Board of Directors or senior executives. For inter-company transactions see, accounting principles note 1. Loans to subsidiaries are made on market terms.

Close relations, subsidiaries, SEK m	2017	2016
Net sales	27.1	24.2
Dividends received	110.7	95.2
Group contribution received	112.4	101.8
Financial income	31.7	32.2
Financial expenses	-0.7	-
Receivables, 31 December	880.1	895.7
Liabilities, 31 December	521.5	482.4

Transactions with key persons in leading positions

Regarding the salaries and other remuneration, costs and commitments for pensions and similar benefits, and severance payment agreements, for Board members, the CEO and other senior executives, see Group note 20.

19 Group companies

Parent company's shareholdings and participations in subsidiaries

Subsidiary	Corp. ID. no.	Domicile / Country	Number of shares	Owner Share	2017 Carrying amount SEK m	2016 Carrying amount SEK m
AB Ph. Nederman & Co	556089-2951	Helsingborg, Sweden	550,000	100%	229.7	229.7
Nederman S.A.S.	434134615	Paris, France	-	-*	-	-
Nederman Distribution Sales AB	556272-9854	Helsingborg, Sweden	-	-*	-	-
Nederman Ibérica S.A.	A79441762	Madrid, Spain	-	-*	-	-
Nederman Logistics North America Ltd	426065-1	Mississauga, Canada	-	-*	-	-
Töredal Verkstad AB	556199-7601	Kvänum, Sweden	-	-*	-	-
Nederman (Shanghai) Co Ltd	9131000067113929XX	Shanghai, China	-	-*	-	-
Nederman International Trading Shanghai Co. Ltd Ltd	91310115688759399Y	Shanghai, China	-	-*	-	-
Nederman Magyarorszag Kft	01-09-874950	Budapest, Hungary	-	100%	0.2	0.2
Nederman Nordic AB	556426-7358	Helsingborg, Sweden	2,000	100%	110.6	110.6
Nederman Norge, Branch of Nederman Nordic AB	914149762	Skedsmo, Norway	-	-*	-	-
Nederman Danmark, Branch of Nederman Nordic AB	36414642	Mariager, Denmark	-	-*	-	-
Nederman N.V./S.A.	428727	Brussels, Belgium	4,000	100%	30.4	30.4
Nederman GmbH	HRB225315	Stuttgart, Germany	-	100%	19.2	19.2
Nederman GmbH (Austria)	FN2315530k	Vienna, Austria	-	-*	-	-
Nederman Ltd	1393492	Preston, UK	10,000	100%	49.3	49.3
Nederman Filtration Ltd	562216	Preston, UK	-	-*	-	-
Nederman CR s.r.o.	25634364	Prague, Czech Republic	1	100%	0.0	0.0
Nederman Holding USA Inc.	80-0699546	Wilmington, DE, USA	-	100%	106.5	106.5
Nederman Manufacturing & Logistics LLC	90-0676051	Wilmington, DE, USA	-	-*	-	-
Nordfab LLC	56-1230979	Wilmington, DE, USA	-	-*	-	-
Nederman Shared Services LLC	46-4172135	Wilmington, DE, USA	-	-*	-	-
Nederman MikroPul Holding Inc.	04-3833071	Wilmington, DE, USA	-	-*	-	-
Nederman Corporation	56-0488262	Wilmington, DE, USA	-	-*	-	-
National Conveyors Company Inc.	22-1547550	New York, NY USA	-	-*	-	-
LCI Corporation International	56-0732889	Charlotte, NC, USA	-	-*	-	-
Menardi LLC	56-2173466	Wilmington, DE, USA	-	-*	-	-
Nederman Mikropul Canada Inc.	56-2172876	Wilmington, DE, USA	-	-*	-	-
Nederman S. de R.L. de C.V	MIK0001128K6	Col Juarez, Mexico	-	-*	-	-
Nederman Services S. de R.L. de C.V	MIK0001128K6	Col Juarez, Mexico	-	-*	-	-
Nederman Mikropul LLC	46-4352369	Wilmington, DE, USA	-	-*	-	-
Nederman Canada Ltd	105,836,613	Mississauga, Canada	1	100%	32.1	32.1
Nederman do Brasil Comércio de Produtos de Exaustao Ltda	05.880.850/0001-45	Sao Paulo, Brazil	3,365	100%	6.1	6.1
Arboga-Darenth Ltd	1048823.0	Preston, UK	10	100%	0.0	0.0
Nederman India Private Limited	U74900PN2008FTC144278	Pune, India	100,000	100%	0.3	0.3
Nederman Makine Sanayi Ve Ticaret Limited Sirketi	647743	Istanbul, Turkey	-	53%*	7.6	7.6
Nederman Holding Danmark A/S	28301650	Mariager, Denmark	60,500	100%	231.3	231.3
Nederman Filtration GmbH	HRB391382	Freiburg, Germany	-	-*	-	-
Nederman Holding Germany GmbH	HRB701805	Freiburg, Germany	-	-*	-	-
Nederman MikroPul GmbH	HRB 33261	Cologne, Germany	-	-*	-	-
Nederman OOO	1,082,468,018,511	Moscow, Russia	-	-*	-	-
Nederman Manufacturing Poland Sp. z o.o.	50307	Marki, Poland	-	-*	-	-
Nederman Polska Sp. z o.o.	109291	Marki, Poland	-	-*	-	-
Nederman SEA Co Ltd	-	Chonburi, Thailand	-	-*	-	-
Nederman (Malaysia) Sdn Bhd.	892768T	Selangor, Malaysia	-	-*	-	-
PT Nederman Indonesia	-	Jakarta, Indonesia	-	10%*	0.2	0.2
Nederman Filtration AB	556609-6177	Malmö, Sweden	-	-*	-	-
Nederman Manufacturing (Suzhou) Co Ltd	9132050578206245 93	Suzhou, China	-	-*	-	-
Nordfab Europe AS	17011405	Mariager, Denmark	-	-*	-	-
Lebon & Gimbrair Beheer N.V.	31,033,906	Amersfoort, the Netherlands	-	100%	26.7	26.7
Nederman Nederland BV	58,655,360	Amersfoort, the Netherlands	-	-*	-	-
Mikropul Holding BV	17,119,906	Amersfoort, the Netherlands	-	100%	11.9	11.9
EFT France Holding	429,043,276	Pontcharra, France	-	-*	-	-
Mikropul France SAS	303573307	Pontcharra, France	-	-*	-	-
Nordfab Ducting Co Ltd	-	Chonburi, Thailand	-	51%*	0.2	0.2
Nederman Manufacturing SEA	-	Chonburi, Thailand	-	-*	-	-
Nederman MikroPul Pty Ltd	-	Bayswater, Victoria, Australia	-	100%	14.4	14.4
Filtac AB	556652-2750	Kinna, Sweden	-	100%	19.1	29.1
Menardi Filters Europe A/S	38209205	Mariager, Denmark	-	100%	0.7	0.7
Nederman MikroPul Poland Sp. z o.o.	617869	Marki, Poland	-	-*	-	-
NEO Monitors AS	986076832	Skedsmo, Norway	147,076	100%	415.3	-
Total parent company					**1,311.8**	**906.5**

*) 100% owned by the Group

19 Group companies, cont'd

Accumulated cost, SEK m	2017	2016
Opening balance	906.5	908.9
Acquisition of Group companies	415.3	-
Formation of subsidiary	-	0.7
Capital contribution	-	6.9
Impairment of book value	-10.0	-10.0
	1,311.8	**906.5**

20 Statement of cash flow

Liquid funds , SEK m	2017	2016
Subcomponents in cash and cash equivalents:		
Cash and cash equivalents	127.1	131.9
	127.1	**131.9**

Adjustments for items not included in cash flow, SEK m	2017	2016
Depreciation	14.4	8.3
Unrealised translation differences	-0.2	30.1
	14.2	**38.4**

Unused credits, SEK m	2017	2016
Disposable funds	1,036.6	1,087.7

21 Appropriation of profit or loss

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

SEK	2017	2016
Share premium reserve	5,866,700	5,866,700
Retained earnings	412,971,743	351,086,145
Net profit for the year	143,344,159	132,208,209
	562,182,602	**489,161,054**
The Board of Directors and CEO propose		
a dividend to shareholders of SEK 6.00 (5.50) per share*)	70,177,506	64,305,830
to be transferred to the share premium reserve	5,866,700	5,866,700
to be transferred to retained earnings	486,138,396	418,988,524
	562,182,602	**489,161,054**

*) Based on the number of shares outstanding as of 31 December. The dividend amount may be subject to change as treasury shares may be sold up to the record day of 13 April 2018.

22 Occurrences following the balance sheet date

No significant events have occurred after the closing date.

Signatures

The consolidated accounts and the annual report have been drawn up in accordance with international accounting standards as prescribed in Regulation (EC) no. 1606/2002 of the European Parliament and of the Council dated 19 July 2002 concerning the application of international accounting standards and good accounting practice in Sweden, and they give a fair picture of the Group's and parent company's position and results.

The Directors' report for the Group and parent company provides a fair overview of the Group's and parent company's activities, position and results and they describe the main risks and uncertainties facing the parent company and Group companies. The annual report and consolidated accounts will be subject to adoption by the Annual General Meeting to be held on 19 April 2018.

Helsingborg, 14 March 2018

Jan Svensson
Chairman

Per Borgvall
Board member

Gunilla Fransson
Board member

Gunnar Gremlin
Board member

Ylva op den Velde Hammargren
Board member

Sven Kristensson
Board member and managing director

Johan Menckel
Board member

Our audit report was issued on 16 March 2018
Ernst & Young AB

Staffan Landén
Authorised public accountant

Auditor's report

To the general meeting of the shareholders of Nederman Holding AB, corporate identity number 556576-4205

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Nederman Holding AB (publ) except for the corporate governance statement on pages 50-53 and the statutory sustainability report on pages 36-41 for the financial year 2017. The annual accounts and consolidated accounts of the company are included on pages 18-102 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 50-53 and the statutory sustainability report on pages 36-41. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of Goodwill

Description

The carrying value of goodwill at 31 December 2017 was SEK 969.9m, which corresponds to 33 % of the company's total assets in the group. The company conducts an annual review and in the event of an indication of impairment, to assure that the carrying value does not exceed the estimated recoverable value. The recoverable amount is determined for each cash generating unit by calculating the present value of future cash flows. Future cash flows are based on management's business plans and forecasts, and include a number of assumptions, including on earnings performance, growth, investment requirements and the discount rate.

Changes in assumptions have a great impact on the calculation of the recoverable value and the assumptions that the company makes will be of great importance when determining if there is a need for impairment. We have therefore considered that the valuation of goodwill is a key audit matter in the audit.

A description of the impairment test is presented in Note 12 "Intangible assets" and in Note 31 "Significant estimates and judgements".

How our audit addressed this key audit matter

In our audit, we have evaluated and tested the company's process to establish the impairment test, including by evaluating past accuracy of forecasts and assumptions. We also made comparisons with other companies in order to evaluate the reasonableness of future cash flows and growth assumptions, and with the help from our valuation specialists examined the selected discount rate and assumptions about long term growth. We have also reviewed the company's model and method for carrying out impairment testing and evaluated the company's sensitivity analyses. In our audit, we have also reviewed whether the information disclosed in the financial statements is appropriate.

Revenue relating to Solutions (project sales)

Description

Net sales for 2017 amounts to total SEK 3,148.5m and of this SEK 1,325.5m relates to solutions (project sales), representing 42 % of total net sales. The accounting policies that the company applies for recognition of revenue attributable to solutions is described on page 62 of the annual report and in Note 31 "Significant estimates and judgements" and means, among other things, that revenues and expenses are recognized as projects are carried out, which is known as the percentage of completion method. Revenue recognition related to solutions requires that the company makes assessments of the degree of project completion and expected profit or loss of the project. Changes in these assessments can have a material impact on the result of the company, and we have therefore considered revenue recognition related solutions to be a key audit matter in the audit.

How our audit addressed this key audit matter

We have reviewed the company's process for revenue recognition of segment solutions and assessed the company's evaluation of the degree of completion. We have by testing samples reviewed the company's assessments of expected profit or loss of the project by comparisons with agreements, historical results and budget. The assessments made by the company regarding the risk of loss has also been reviewed. We have also reviewed whether the information disclosed in the annual report is appropriate.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-17. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nederman Holding AB (publ) for the financial year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 50-53 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor´s opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 36-41, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Box 7850 103 99 Stockholm, was appointed auditor of Nederman Holding AB by the general meeting of the shareholders on the 19 April 2017 and has been the company's auditor since the 22 April 2015.

Helsingborg 16 March, 2018
Ernst & Young AB

Staffan Landén
Authorized Public Accountant

Definitions

Adjusted EBITDA
Operating profit before depreciation and amortisation, excluding acquisition and restructuring costs.

Adjusted EBITDA margin
Adjusted EBITDA as percentage of net sales.

Adjusted operating margin
Adjusted operating profit as percentage of net sales.

Adjusted operating profit
Operating profit excluding acquisition and restructuring costs.

Annual average
Average of year-beginning and year-end balance.

Capital turnover rate
Net sales divided by the average operating capital.

EBITDA
Operating profit before depreciation and amortisation.

EBITDA margin
EBITDA as a percentage of net sales.

Earnings per share (after dilution)
Year's earnings attributable to the parent company's shareholders in relation to average number of shares outstanding plus the average number of convertibles and options, as calculated in accordance with IAS 33.

Earnings per share (before dilution)
Year's earnings attributable to shareholders in relation to the average number of shares outstanding.

Equity/asset ratio
Equity divided by total assets (balance sheet total).

Equity per share
Equity divided by the average number of shares outstanding.

Interest cover ratio
Profit before tax with return of financial costs in relation to financial costs.

Net debt
Interest-bearing liabilities (including pensions) minus cash and cash equivalents.

Net debt/equity ratio
Net debt divided by the closing balance at the end of period.

Operating capital
Shareholders' equity plus net debt.

Operating margin
Operating profit as percentage of net sales.

Operating profit
Operating profit after depreciation and impairment.

Organic growth
Growth rate that does not come from acquisitions and currency effects, compared with the corresponding period in the previous year.

Return on equity
Net profit for the year after tax divided by average equity.

Return on operating capital
Adjusted operating profit as a percentage of average operating capital.

Articles of Association

1 § Company name. The name of the Company is Nederman Holding Aktiebolag. The Company is a public company (publ).

2 § Registered office. The registered office of the board of directors is in Helsingborg municipality.

3 § Company's operations. The object of the Company's operations is to directly or through subsidiaries produce and market products to improve the industrial workplace environment and to own and manage enterprises as well as real estate and personal property, and to engage in compatible operations.

4 § Share capital. The Company's share capital shall not be lower than seven hundred and fifty thousand (SEK 750,000) and shall not exceed three million (SEK 3,000,000).

5 § Number of shares. The number of shares shall be no lower than ten million (10,000,000) and shall not exceed forty million (40,000,000).

6 § VPC-registered company. The Company's shares shall be registered in a CSD register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

7 § Financial year. The Company's financial year shall be the calendar year.

8 § Board of directors. The board of directors shall consist of at least three (3) and not more than eight (8) members with a maximum of three (3) deputies. Board members will be elected annually at the Annual General Meeting for the period extending until the close of the next Annual General Meeting.

9 § Auditor. The firm shall have at least one (1) and no more than two (2) auditors, without or with no more than one (1) deputy auditor. An approved or authorized public accountant or a registered auditing firm shall be appointed auditor and, where appropriate, deputy auditor.

10 § Notice of Annual General Meeting. Notice of the Annual General Meeting and Extraordinary General Meetings where an issue concerning amendment of the Articles of Association shall be considered, must be issued no earlier than six weeks and no later than four weeks before the date of the meeting. Notice of other Extraordinary General Meetings shall be issued not earlier than six weeks and not later than two weeks prior to the meeting. Notice of Annual General Meeting shall be given in the Swedish Official Gazette (Post- och Inrikes Tidningar) as well as on the company's website. It shall be advertised in Svenska Dagbladet or, if publication is cancelled, in Dagens Industri instead, that notice of the meeting has been given.

11 § Right to participate in Annual General Meeting. Shareholders who wish to participate in proceedings at the Annual General Meeting must be included in the transcript of the entire share register pertaining to the situation no later than five (5) weekdays before the annual general meeting, and they must register with the Company no later than 4 p.m. of the day specified in the notice of the annual general meeting. This day may not be a Sunday, other general holiday, Saturday, Midsummer Eve, Christmas Eve, or New Year's Eve, nor may it fall earlier than the fifth weekday before the annual general meeting. Shareholders or representatives may be accompanied by a maximum of two assistants at a annual general meeting, but only if the shareholder has notified the Company of the number of assistants in accordance with the preceding paragraph.

12 § Location of Annual General Meeting. The Annual General Meeting may be held in Helsingborg or Stockholm.

13 § Annual General Meeting. The Annual General Meeting shall address the following matters:

1. Election of the chairperson of the meeting;
2. Preparation and approval of the voting list;
3. Approval of the agenda;
4. Election of one or two persons to verify the minutes;
5. Determination of whether the meeting has been duly convened
6. Presentation of the annual report and the auditors' report and report on the consolidated accounts;
7. Resolution to adopt the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet;
8. Resolutions on appropriation of the Company's profit or loss according to the adopted balance sheet;
9. Resolution to discharge members of the board of directors and the Chief Executive Officer from liability;
10. Determination of the number of board members and deputies, as well as, where appropriate, auditors and deputy auditors;
11. Establishment of remuneration to the board of directors and, where applicable, the auditors;
12. Election of members of the board and any deputy board members as well as, where appropriate, auditors and any deputy auditors,
    Other items brought before the general meeting or shareholders according to the Swedish Companies Act or the Articles of Association.

These articles of association were adopted by the Annual General Meeting on 26 April 2011.

Notification to attend the Annual General Meeting

The Annual General Meeting of Nederman Holding AB (publ) will take place on Thursday, 19 April 2018 at the Radisson Blu Metropol Hotel, Carl Krooks gata 16, 252 25 Helsingborg.

Schedule:
3 p.m. Registration starts
3:30 p.m. Meeting room opens
4 p.m. Meeting starts
Coffee and refreshments will be served before the meeting.

Right to participate at the meeting
Shareholders wishing to participate at the meeting must be recorded in the shareholders' register kept by Euroclear Sweden by Friday 13 April 2018 and must notify the company of their intention to attend the meeting no later than 4 p.m. on Friday 13 April 2018. Shareholders whose shares are registered in the name of a trustee must have their shares temporarily registered in their own name in the Euroclear Sweden shareholders' register in order to take part in the meeting. This registration, known as voting right registration, must take place by 13 April 2018, meaning that the shareholder should give notice of his/her intention of taking part at the meeting in due time before that date.

Notification
Notification can be carried out in one of the following ways:
- by e-mail stamma@nedermangroup.com
- by telephone: +46 (0)42 18 87 00
- by letter to: Nederman Holding AB (publ), "Årsstämma" Box 602, 251 06 Helsingborg.

Notification should include details of name, civic registration number/corporate identity number, address, telephone, registered shareholding and advisers, if any. The information is solely used for the requisite registration and drawing up of the voting list. Where representation is made by proxy, the original proxy form must be sent to the company along with the notification to attend the meeting. Individuals representing a legal entity must have a copy of the registration form or equivalent documentation indicating the authorised signatory. The company will provide proxy forms for shareholders who so wish: The form is also available for downloading on Nederman's website: www.nedermangroup.com.

Dividends
The board and CEO propose a dividend for the 2017 financial year of SEK 6.00 per share.

Reports
Q1 report: 19 April 2018
Q2 report: 12 July 2018
Q3 report: 18 October 2018

Nederman Holding AB (publ.)
Box 602, SE-252 28, Helsingborg, Sweden
Visiting address: Sydhamnsgatan 2
Tel: +46 42 18 87 00
www.nedermangroup.com