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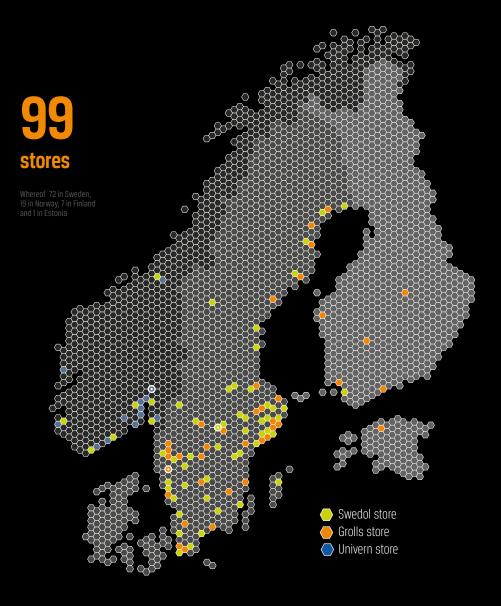
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*Notes and accounting priciples is only disclosed in the Swedish version of the annual report 2018.









Swedol in 60 seconds

Swedol offers high quality products and services tailored to the needs and preferences of professional users. The group is a multispecialist that combines breadth with depth within selected specialist areas. Our offer is focused on five prioritized customer groups and includes a range within tools, supplies, workwear and personal protection. Swedol interfaces with customers via an omnichannel concept where stores, website and field sales coordinate to create a seamless and personalized customer experience. The group is structured into two divisions: Workwear and Personal Protection plus Tools and Supplies, which are managed as separate units within a common group platform.

The group offer is collated within our four concept brands; Swedol, Grolls, Univern and Nima.



We are the partner that best meets the needs and preferences of professional users



2018 in brief

- Swedol intensified its acquisition work and completed five business combinations during the year. Two of these are based in Finland, which has strengthened the group's position in that country. Duunivaruste is a store located in Kuopio and has a strong position on the local market for workwear and PPE. The acquisition of Metaplan, a strong presence in the Turku area, is an important strategic step for Swedol enabling our Tools and Supplies Division to become established in Finland.
- During the year, five stores were integrated in line with the group's new store concept. Such integration means a Swedol store with a Grolls center that brings the entire group offer under one single roof. Two new Swedol stores with a Grolls center were also opened.
- The decision was taken to concentrate all logistics operations in Sweden to the current logistics center in Örebro. The aim of this initiative, that entails an investment of around MSEK 150 over two years, is to increase Swedol's total capacity and to make goods flow more efficient.
- During the year, work to create a common platform in Sweden in the form of a common IT and business system, common pricing system and a common legal structure, was completed. In Norway, the legal structure was simplified ahead of the implementation of the same structure for our Norwegian operations in 2019
- Nordstjernan became the majority shareholder in the company after entering into a share purchase agreement with AB Zelda and thereby acquiring the majority of the AB Zelda shareholding.
- Effective 2 January 2018, Swedol shares are once again traded on the Nasdaq Stockholm Mid Cap list.

Revenue 2018

Operating margin 2018

Number of employees

The history of Swedol

hauliers. One day a haulier complains about hydraulic

hoses forever failing, and the company decides to start selling hoses and mail order company Hydraulproduk-

1984 AB Zelda acquires the company

Hydraulprodukter Swedol has five employees and sales of SEK 8 million.

1999 The first external store is officially opened in Sollentuna

2006 Swedol is listed on the First North

By the end of the year, Swedol has 15 stores, 2008 the company takes the step across to the Nasdaq



ter Swedol is born.









2009 Acquisition of industry and workshop equipment supplier Inno

> By the end of the year, Swedol has 29 stores.



Five year summary

	2018	2017	2016¹	2015	2014
Revenue, MSEK	3,241.3	3,067.1	2,371.2	1,540.0	1,383.3
Operating profit, MSEK	325.3	280.7	176.2	55.5	49.4
Revenue growth, %	5.7	29.3	54.0	11.3	0.3
Gross margin, %	40.9	39.4	38.9	37.6	37.0
Operating margin, %	10.0	9.2	7.4	3.6	3.6
Equity ratio, %	49.6	46.0	42.2	60.8	60.4
Average number of employees	982	945 ²	751	504	500
Gross investments, MSEK	66.9	46.7	30.0	40.4	18.8
Number of stores at the end of the year	99	99	99	48	47

 $^{{\}bf 1} \ {\sf Bj\"{o}} {\sf rnkl\"{a}} {\sf der} \ {\sf Intressenter} \ {\sf AB} \ ({\sf Grolls}) \ {\sf was} \ {\sf consolidated} \ {\sf with} \ {\sf effect} \ {\sf from} \ {\sf 8} \ {\sf June} \ {\sf 2016}.$

2013 Strategic restart

New strategies are established with a clearer orientation to the professional user market and adaptations to selected customer groups.

2016 Acquisition of Grolls

Via this acquisition, Swedol becomes one of the leading companies in workwear and personal protective equipment in the Nordic countries.

2018 Increased acquisition activity and strengthened position in Finland

The group completes five business combinations, including two in Finland.















2012 Nima Maskinteknik is acquired

2015 Nordstjernan AB becomes the new major shareholder

2017 Reorganization

The group is structured into two divisions: Workwear and Personal Protection and Tools and Supplies.

² The calculation method for number of employees has been adjusted with effect from the third quarter 2018 inclusive. This has resulted in the comparison figures being recalculated. The change was made to better reflect the number of employees and number of hours worked within the group.

Strong year despite challenges

2018 was yet another good year for Swedol. Despite a number of obstacles along the way that had a negative impact on sales, such as integration disturbances and the hottest summer for many years, Swedol revenues amounted to MSEK 3,241.3 (3,067.1) for the full year. One important milestone was achieved in the form of an operating margin of 10 percent.

The group's margins remained strong throughout the year. An improved product mix, implemented price adjustments and currency hedging all had a positive effect and countered a weak krona, increased commodity prices and higher freight costs.

Gross margin amounted to 40.9 percent (39.4) and operating margin was 10.0 percent (9.2).

A double digit operating margin marks an important milestone for the group. In combination with a continued cost focus and high equity ratio, we are strongly equipped for future challenges.

Cash flow from operating activities remained strong and amounted to MSEK 264.5 (238.7) but was negatively affected by high stock levels. This increase in stock levels was mainly due to growth investments implemented, including investments in fastenings, gloves and footwear, and the establishment of a core range in Workwear and Personal Protection. Sales during the year were adversely affected by a product shortage in the Grolls chain, and we made a conscious choice to focus on restoring stock availability. We are now actively working to make our inventory more efficient.

We have continued to build on our platform for profitable growth that we have worked hard to develop in the form of a scalable platform. During 2018, we completed work to integrate our Swedish business within a common IT and business system, pricing system and legal structure. We have now also implemented this in Norway. By integrating our divisions and concept brands within the same platform, we have enhanced our opportunities to drive cross sales and continue to maintain a good rate of organic growth, while at the same time enabling future acquisitions to be integrated efficiently.

Development on Swedol's markets

As a whole, our markets continued to develop well in 2018. While we did see a certain slowdown in Sweden, growth increased on our other markets. Geographically, the group is most heavily weighted to Sweden, but we would like to see a greater geographic spread to achieve a better balance moving forwards. We see good opportunities to strengthen our presence on existing markets outside Sweden and it is pleasing to note that we were able to successfully complete the acquisition of two fine companies in Finland and one in Norway in 2018.

Just like other companies, we were affected by the general economic situation on our markets, and we have both direct and indirect exposure to the construction sector.

The group focus will remain on small and medium size enterprises. These are relatively diversified in their activities and less sensitive to upturns and downturns in large projects compared to larger companies.

Even though our focus is on small and medium size enterprises, we have a delivery capacity, both with regard

to range and technical solutions, that means we can also be a full scale partner for the very largest companies. During the year, we strengthened our relationships with our biggest customers and gained the renewed confidence of SAS and NCC, while at the same time, winning tenders with big new customers such as Toyota and Arriva. We view this as confirmation that we have an attractive offer that ticks the right boxes and that Swedol has the potential to attract new customer categories in the future.

Focus on acquisitions and growth

We intensified our acquisition activities during the year. Altogether, we completed five acquisitions and we are proud and delighted to have welcomed Duunivaruste Oy, Metaplan Oy, Promera Yrkeskläder AB, Karl S Hanssen AS and De Facto Yrkeskläder AB into the Swedol family. We have a well-functioning acquisition process and there are plenty of companies of interest that would be a good fit for our business model. Acquisitions will continue to be a big focus moving forwards.

In addition to acquisitions, there is further growth potential via expansion of our store network. Eight leases were signed in 2018 for new stores. Comprehensive work to reprofile and update the store network also continued.

Successful product development

Swedol has pursued successful product development work for a number of years. We continue to develop our own brands, and we continuously review product categories that offer scope for us to strengthen the group's combined offer, in terms of both breadth and depth. The Swedol range has gone from being price focused to market leading within several product categories.

Product development within the group continued at a high pace in 2018, and a number of successful product launches were implemented. Björnkläder achieved success with Carpenter Soul, a new line of carpenter pants, and Björnkläder Parvotex, a collection of inherent flame retardant workwear. Our Balance brand now includes a complete range of premium gloves with the focus on either precision or power. Gesto offers safety footwear with the BOA patented lacing system, which admits Gesto to an exclusive club that satisfies the requirements to become a partner. These are just a handful of examples of the many successful investments in our own products.

We envisage plenty of continued potential in strengthening our own brands. Having said that, we also strive to offer our customers the best possible product mix, consisting of both the best of external brands and our own products.

Continuous sustainability work

Sustainability work is an important and integrated part of the Swedol strategy and business model, which is expres-



A double digit operating margin marks an important milestone for the group.



sed in our strategy as "We aim to be a genuinely sustainable company". Being a responsible and sustainable company in every respect is something we see as both a necessity and an opportunity for Swedol. For us, continuing to support the principles in the UN Global Compact goes without saying.

In 2018, Swedol completed a review of our business, based on the UN's Sustainable Development Goals. The review supports and simplifies sustainability work and enables us to focus on those areas where we have the biggest impact and scope to contribute to sustainable development for people, the environment and society. This work takes time, is ongoing and requires the awareness and commitment of everyone in our organization if we are to reach our goals.

A few of the areas we are focusing on include offering a high quality range that lasts longer, to ensure good procedures in the event of a product recall and to offer services and all the equipment necessary to be able to deal with oil spills, for example. We are continuing to make our logistics more efficient and reducing air freight in favor of shipping by rail.

A growth journey

It is now five years since we implemented our strategic restart in 2013. Swedol has embarked on a fantastic journey and together we have implemented most of what we resolved to do. With new strategies and a clear orientation towards professional users and our chosen customer groups, we have gradually, step by step, moved from being a price focused generalist to become a multispecialist with an omnichannel concept that supplies leading products within several key areas.

The group's development in 2018 has further reinforced my conviction that Swedol is heading in the right direction. We are investing to continue our growth journey and taking up a strong position ahead of the future. There is still a great deal of work to be done to achieve all our goals, but with our organization, scalable platform and strong financial position, we are very well placed to do so. Finally, I wish to thank all our employees, suppliers, partners, customers and shareholders for a successful year.

Tyresö, March 2019

Clein Johansson Ullenvik President and CEO



Vision, business concept and strategy

Vision

We are the partner that best meets the needs and preferences of professional users

Business concept

We offer quality products and services in a simple and professional way. Via our different concepts, professional users are efficiently supplied at attractive prices.

Strategic goals

We shall generate profitable growth via organic growth and acquisitions We shall develop attractive and differentiating offers for our selected customer groups

We shall have efficient and quality assured processes We shall be a genuinely sustainable company We shall be an attractive employer with enthusiastic and knowledgeable employees

We shall leverage digitalization opportunities

Coordination of strategic goals and important sustainability issues

For Swedol, driving the business forward based on a sustainable business model is both a strategic and important choice. We consider this sustainability work as both a responsibility and an opportunity to boost our competitiveness. Alongside Swedol's strategic goals, these important sustainability issues play a key role in our business planning. In 2017, we completed work to identify the most important sustainability issues for the group. Many of these issues have a strong direct link to one or several strategic goals. Important sustainability issues that cannot be directly connected to a specific strategic goal are still included in business planning and in efforts to contribute to the UN's Sustainable Development Goals¹.

Swedol's material sustainability issues

- Customer service
- Profitability and growth
- Attractive employer
- Product liability via quality and safety
- Chemicals
- Logistics optimization
- Support customers in reducing their own environment impact
- Leadership
- Training and skills
- Occupational Health & Safety
- Diversity and equal opportunities
- Working conditions/human rights in the supplier chain
- Anti-corruption

The 2030 Agenda for Sustainable Development was adopted by the Heads of State and Government at the UN Sustainable Development Summit. It sets out 17 Sustainable Development Goals to end extreme poverty, reduce inequality, resolve the climate crisis and promote peace and justice. Sweden's Action Plan for Agenda 2030 sets out the importance of a strong enterprise sector and sustainable enterprise.

Swedol's strategic goals

Swedol's five strategic goals and an overall strategic goal of digitalization provide our organization with guidance as to how we shall work to achieve our vision. The group's quality and sustainability work is an integrated part of our strategic governance and monitoring.

We shall generate profitable growth via organic growth and acquisitions

We aim to grow organically by such steps as opening new stores, broadening our product portfolio and driving sales digitally. Stores and digital channels complement each other in an omnichannel concept that offers customers high accessibility and service to enable them to benefit from our offer in the way that suits them. We have strengthened our sales focus in our organization and aim to increase our share of our customer base purchases. To complement this organic growth, we are going to implement and integrate acquisitions in a structured way.

We shall develop attractive and differentiating offers for our selected customer groups

Our focus is on small and medium size enterprises. We shall work actively with customer segmentation to deepen our customer relationships and continuously develop our product and service offer. In the categories that are important for our prioritized customer groups, we shall have an innovative offer and excellent know-how – we are the multispecialist for professional users. We shall have strong partnerships with external suppliers, while at the same time developing our own brands to strengthen our customer offer and improve our margins.

We shall have efficient and quality assured processes

We shall have an efficient and scalable platform with reliable product flows. Digital tools and flows shall be used for high efficiency both internally and externally.

We shall be a genuinely sustainable company

We shall minimize the group's environment impact and support our customers to make sustainable choices. We shall actively specify requirements on our products and suppliers and monitor these from a quality and sustainability perspective. The working environment shall be continuously improved.

We shall be an attractive employer with enthusiastic and knowledgeable employees

We shall have a strong common culture with clear leadership and management by objectives. Our employees shall have regular opportunities for personal development.

We shall leverage digitalization opportunities

An overarching strategic goal is to leverage the opportunities digitalization offers across all our five strategic goals and that it is used as an important tool in all of them. We seek to increase sales by offering our customers high accessibility, good service and new added value services while simultaneously working to increase internal efficiency and reach out to and engage all our employees. We also strive to reduce our environment impact by digitalizing and simplifying physical flows.

The UN's Sustainable Development Goals

In 2018, Swedol completed a review of our business in relation to the UN's Sustainable Development Goals. Based on the impact the group has on people, the environment and the social economy, and where our responsibility is especially heavy, and where there are opportunities to contribute, six of these goals have been identified as more relevant to the group's operations.





Good Health and Well-being

Ensure healthy lives and promote well-being for all at all ages.



Gender Equality

Achieve gender equality and empower all women and girls.



Clean Water and Sanitation

Ensure availability and sustainable management of water and sanitation for all.



Decent Work and Economic Growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



Responsible Consumption and Production

Ensure sustainable consumption and production patterns.



Peace and Justice Strong Institutions

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Scalable business model

Right range

The group offers customers a broad and attractive range tailored to the needs and preferences of professional users. The range combines breadth with innovation within selected categories that are especially important for our customers. The range consists of both our own and external brands to provide an attractive and competitive product mix. Our products are characterized by high quality, value for money and product safety, combined with a good level of service and availability.

Efficient processes

Swedol pursues continuous improvement work with the aim of making every part of our business more efficient and to ensure reliable and efficient goods flows. Efficient and responsible processes across the entire value chain can assure long term sustainable and profitable growth.

The group is organized into two divisions; Workwear and Personal Protection and Tools and Supplies that leverage the benefits of a common platform with scalable advantages in key areas such as purchasing, logistics, sales, finance and IT. This division is designed to enable increased specialization where sales and range work go hand in hand, to strengthen our processes and enhance efficiency.

One prioritized area where Swedol sees good opportunities for greater efficiencies is to leverage the oppor-

tunities of digitalization. Increased digitalization has the potential to create greater competitiveness and make the group more efficient across the board, including our internal processes.

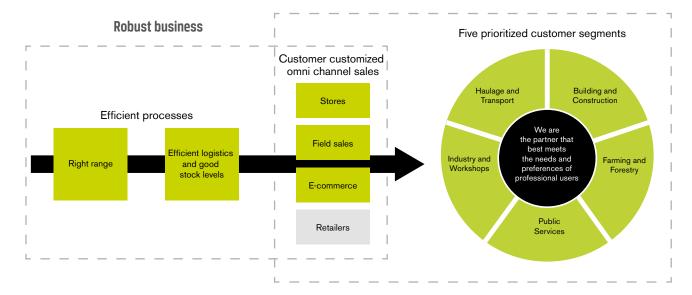
Omnichannel sales

A clear omnichannel concept is the starting point for all interaction with customers regardless of concept brand. Whether customer contact occurs in store, via field sales personnel or online, we offer a coherent concept with the same demands on service and quality. Our concept brands, Swedol, Grolls, Univern and Nima complement each other and create a combined offer with greater breadth and depth than each individual concept. The group's omnichannel sales are complemented by a partner network of selected retailers.

Focus on professional users

Sound knowledge of the everyday needs and challenges of professional users is at the heart of Swedol's business. With the goal of being a complete one-stop supplier to professional users, Swedol targets the professional market with a range tailored to five prioritized customer groups. By working close to customers on an everyday basis, Swedol has a good understanding of their needs and can tailor sales and marketing effectively via different concept brands.

Close to customers



Financial targets



Long-term financial targets, viewed over an entire economic cycle.
 Björnkläder Intressenter AB has been consolidated with effect from 8 June 2016.

³ Proposed dividend

Market

The group's markets developed well in general in 2018. Increased digitalization and growing e-commerce remain strong trends.

Market development

Swedol's offer is primarily oriented to business customers in five prioritized customer groups; Building and Construction, Industry and Workshops, Haulage and Transport, Farming and Forestry plus Public Services.

In geographic terms, the group is established in Sweden, Norway, Finland and Estonia. All the group's geographic markets enjoyed good growth in 2018. In our single biggest market Sweden, growth flattened towards the latter part of the year. The market in Norway was boosted by increased activity in the offshore sector. The markets in Finland and Estonia developed strongly throughout the year.

The Swedish construction cycle is likely to have a big impact on Swedol's market. The Swedish market as a whole was negatively affected during the year by growing uncertainty in the real estate sector, increased costs for freight and commodities and the weakness of the Swedish krona.

The group's customers primarily consist of small and medium size enterprises which as a rule are well able to maintain high employment even during periods when there are fewer large construction and property development projects. Within the Building and Construction customer group, this has revolved around construction, that is to say, various forms of ground work.

Market trends

Increased digitalization is a powerful trend with the potential to impact areas such as sales, logistics, internal efficiency drives and the automation of processes. Digitalization is a prioritized area for Swedol and the group sees a big potential as companies that successfully leverage the benefits of digitalization can strengthen their competitiveness.

E-commerce continues to grow. All significant companies on the market are looking to develop their e-commerce solutions while pure e-tailers only make up a limited part of the market to date. A well-developed store network still offers a competitive advantage that can be comple-

mented by alternative logistics arrangements to meet customer needs and purchasing patterns.

The market has been in a consolidation phase for some time now where larger companies and chain concepts can leverage the advantages of economies of scale in areas such as purchasing, logistics, sales and IT. Swedol is following the trend via an active acquisition strategy.

Swedol's development

In 2018, the group enjoyed profitable and very largely organic growth on all markets. Revenue growth for the group was 5.7 percent. Compared with the Construction and Ironmongery index, the group has strengthened its position and taken marketshares. This has been complemented by acquisitions that have strengthened the group's presence in Finland.

Workwear and Personal Protection grew by 4.7 percent. Sales have a broader geographic spread compared to Tools and Supplies as the vast majority of group sales in Norway, Finland and Estonia consist of workwear and personal protective equipment.

Our Tools and Supplies Division increased sales by 6.8 percent. Sales are chiefly made on the Swedish market and to a lesser extent on the Norwegian market. The division gained a foothold in Finland in 2018 via the acquisition of Metaplan Oy.

Competitors

Swedol encounters competition on a local, national and international scale in all its customer groups. The competition picture on Swedol's markets is consolidated to different degrees. The group's biggest markets, Sweden and Norway, have a higher degree of consolidation, while the markets in Finland and Estonia are more fragmented as they are at an earlier stage of consolidation.

The Group's competitors consist of industry and construction oriented chains, plus local independent companies. Specific competitors often vary between the different customer groups, as a chain can be big in one specific area while not trading in another area.

Competitors per product group

	Sweden	Norway	Finland	Personal Protec- tive Equipment	Tools	Vehicle Accessories	Oil & Chemi- cals	Fluidics	Hydraulics
Swedol	•	•	•	•	•	•	•	•	•
Competitors									
Ahlsell	•	•	•	•	•		•	•	•
Berendsen	•	•	•	•					
Etra			•	•	•		•	•	•
IKH			•	•	•	•	•	•	•
Momentum Group	•	•	•	•	•		•	•	•
Tess		•		•	•		•		•
Würth	•	•	•	•	•	-	•	•	

Sales through omnichannel

Swedol interfaces with its customers via an omnichannel concept that aims to deliver a coherent Swedol feel. All group sales channels support each other to create a flexible and tailored customer experience.

Focus on customer benefits

Closeness to customers and the ability to meet them on their terms and conditions increases our scope to structure a competitive and attractive offer. Close interaction between the group's sales channels enables customers to take advantage of Swedol's offer based on their own unique wants and needs. Customers are served with high flexibility and can chose for themselves how they wish to interact with Swedol. Together, our sales channels complement each other to create a coherent and unique Swedol experience on each customer's own terms and conditions, for example, a product can be bought online and returned in store.

Satisfied customers are the core of Swedol's business and the key to profitability and sustainable growth. Knowledge and commitment form the foundation for developing and maintaining strong customer relationships. In order to assure customer benefits, the group measures customer satisfaction in the form of a CSI. The aim is for all concept brands to achieve a CSI of 75 or better. The total scores in 2018 were as follows: Swedol in Sweden* 74 (78), Swedol in Norway, 82 (74), Grolls 72 (75) and Univern 80 (78). The fall in Sweden is probably related to internal structuring that has taken a certain focus away from stores and e-commerce. In Norway, the organization structure has been adapted to increase focus, which probably explains the rise there. To achieve these targets, the group monitors each respective store and sales district and implements individual action plans and targeted training initiatives.

Stores

The group reaches out to a large percentage of customers in the Nordic and Baltic regions via a comprehensive store network. Our stores offer quick and readily accessible service and high product availability. We also offer an ordering service for direct delivery that provides customers with rapid access to in-demand products, which simplifies the customer purchasing process and reduces unnecessary journeys to and from stores. The store network has its own management structure which means that the group can control all aspects of daily operations and ensure that the concepts are applied according to plan. In 2018, the organization was strengthened in Sweden, by increasing the number of regional managers, who are responsible for the operations of Swedol and Grolls stores within their respective region, from four to five.

20 % Others 34 % Build

Sales per customer segment



*CSI for Swedol includes Nima

Field sales

Active, outreaching sales work is an important tool in forging long-term, strong and sustainable customer relationships. Our knowledgeable and enthusiastic sales personnel interface with new and existing customers via face-to-face meetings.

Over the past few years, Swedol has worked to strengthen and develop its sales organization within the entire group. In 2018, a common new structure was created in which five sales managers with responsibility for outreach sales work in their respective region and in parallel with regional managers responsible for store operations. A major initiative has been implemented on the key customer side within our Workwear and Personal Protection Division.

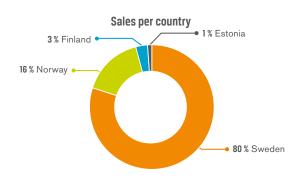
E-commerce

E-commerce is an integrated part of the group's omnichannel concept and includes both traditional e-commerce and customer unique e-commerce solutions. This offers several advantages, which include greater accessibility, a broader range and the possibility of finding information on our offer very quickly. E-commerce is both an alternative and a complement to other sales channels and supports sales in both divisions via a common platform that has been developed to cover the needs of each respective division.

In 2018, the roll-out of new versions of our concept brand websites was launched on a group wide platform. The new platform has an updated design with the focus on the customer experience and increased functionality via functions such as account management at individual level and certification services for larger companies. The group has also further developed the functionality of customer unique e-commerce solutions that offer larger customers the chance to integrate their purchasing systems with Swedol's e-commerce for a transparent and efficient purchasing process.

Retailers

In locations where Swedol does not intend to open one of its own stores, retailers play an important role by reaching out to customers that would not otherwise have the opportunity to shop in our stores. These retailers are often smaller companies such as independent trade stores, car workshops or builders' merchants.



Concept brands

Swedol interfaces with customers via four concept brands. Via a broad store network and e-commerce, Swedol, Grolls, Univern and Nima cover the markets in Sweden, Norway, Finland and Estonia.

One integrated company – four concept brands

The group offer is collated within four concept brands; Swedol, Grolls, Univern and Nima. Stores and e-commerce are managed within the concept brands in order to deliver a specialized offer tailored to the needs and preferences of customers. Five new stores were opened in 2018 and five stores integrated. The total number of stores at the end of the year was 99 (99).

The concept brands gain the benefits of economies of scale within key areas such as purchasing, logistics, sales, finance and IT. Over the past few years, Swedol has focused on creating a scalable platform and now has a common business system and pricing system in place within a legal entity in Sweden. This means, for example, that customers can shop all concept brands and receive one invoice. During the year, work to integrate our Swedish websites on one common e-commerce platform was started. This means, for example, that customers can toggle between the websites and shop for all concept brands in a common shopping basket.

Swedol

Under the Swedol brand, 49 stores operate in Sweden and five in Norway, plus e-commerce in the respective countries. Swedol is a multispecialist that offers professional users a broad core range complemented by innovative products within selective product categories. This breadth covers most of the needs of our prioritized customer groups while leading products that are especially important are available within selected innovative categories. The offer is characterized by quality combined with value for money plus a broad range of services and closeness to customers.

In 2018, five leases were signed for newly established stores in Sweden and two leases for new stores in Norway, which represents one of the largest investments in expansion of the store network to date for Swedol. In addition, roll-out of the group's new shop-in-shop-concept was initiated in which a Grolls center is an integrated part of a Swedol store. This new store concept means customers can take advantage of the group's combined offer under one roof.





One integrated company

Several concept brands

Grolls

Grolls is a leading Nordic specialist within workwear and personal protection. Under the brand, 26 stores operate in Sweden, five in Finland and one in Estonia, plus e-commerce in the respective countries. The store network is currently being updated in line with a new store concept aimed at enhancing the customer experience. This new store concept is more in line with the other concept brands and will gradually be introduced in stores in the next couple of years.

In 2018, the first Grolls centers were introduced within the parameters of the group's shop-in-shop-concept and at the end of the year, seven Grolls centers had been integrated into Swedol stores. Grolls centers play an important part in sales of this concept brand in addition to the dedicated stores and will eventually become more important as more Grolls centers are introduced in the next few years.

Univern

The Univern concept brand includes 13 stores and e-commerce in Norway plus a broad partner network with good coverage across the whole of Norway. Univern is a specialist within workwear and personal protection with a strong brand on the Norwegian market. The store network and e-commerce are the group's biggest sales channels in Norway. During the year, a lease was signed for the group's first new store housing both Swedol and Univern. An integrated store was previously opened in Sandnes. By bringing together Univern's unique range of workwear and Swedol's range of tools and supplies, customers are able to concentrate more of their purchases to one store.

Nima

Our Nima concept brand offers a specialized range within farming and forestry in Sweden. Sales are mainly effected via e-commerce and mail order.

Grolls center

Within the parameters of Swedol's new shop-in-shop-concept where a Grolls center is an integrated part of the Swedol store, customers can take advantage of the group's combined offer under one roof. All new Swedol stores now being opened will include a Grolls center with a complete, marketleading range of workwear. In certain locations, a Grolls center can also be added by integrating an existing Grolls store into a Swedol store with a Grolls center, which can be done in both existing or new premises. Yet another possibility is to add a Grolls center to a Swedol store in locations without an existing Grolls store and so condense the store network.



Interview with a Swedol customer

Why Swedol?

- The service! We have chosen to concentrate our purchasing to the Swedol store in Tyresö thanks to the fantastic service. When you call them, you know you will get the help you need, from cement mixers to workwear. They are always available to talk, which is unusual today. It means we don't have to contact manufacturers and so on. It's things like that, that are very time consuming. They help us when we have to return things if necessary, help that is invaluable as it saves a lot of time. It also means we can feel secure in our purchases even if this were a product or a brand that is new to us.

Do you always buy from a bricks and mortar store?

- We've also got an online account, but we buy most things in store. Pretty much 95 percent of the things we need are available on the shelves in store. For us, it is usually quickest and easiest to pick up the phone and then drop by and collect our order. On the few occasions an item is not in stock, they can get it in store the next day. These can be special products for instance, such as specialized nuts with a certain strength, things that we can often wait two days for if necessary.

What do you buy from Swedol?

 We buy most things, from hardhats to compressed air. There are so many different phases in transport and storage that you need a lot of everything. For us, it's often a matter of solving problems and then purchasing accordingly.

What's the most important thing for you when purchasing?

- The most important thing for us is price and quality. In the case of clothes and shoes, we stick to Gesto as the prices are good and our employees like them. The clothes are comfortable and the quality is good. It is important that clothes move with you and don't feel restrictive. When you are working, you don't want your clothes to keep getting caught, that would drive you crazy. In the case of other products, that also very largely depends on our employees. Good quality products make for happier employees who work better and stay healthier. The right tools are important to avoid repetitive strain injuries. So if one of our workers has been using Hitachi for years and thinks that is what's best, we buy that.

Do you use any of Swedol's services?

- Yes, we get our corporate logo printed on our workwear as it is important that customers can easily see that our employees represent us. It is important to avoid uncertainty so customers know who they can ask. Plus, we improve and repair chains that are used in lifting, and we press our hydraulic hoses when necessary.

Ekram AB

Johny Marké is logistics coordinator at family-owned company Ekram AB. Together with his brother and sister, he runs a warehouse and logistics business with 15 employees and a turnover of around MSEK 10–15. Customers can gain rapid access to either heated or chilled storage at the logistics center in Länna south of Stockholm, depending on requirements. It is often European shipments that customers need help in storing. With 15 trucks, Ekram AB can quickly arrange to load and ship products to and from the logistics center.

Workwear and Personal Protection

Swedol's Workwear and Personal Protection Division offers professional users a complete range of workwear and personal protective equipment. With its combined offer, the group is one of the leading companies in the Nordic countries.

A market leader within workwear and personal protection

The group's Workwear and Personal Protection Division is a Nordic market leader within workwear and personal protective equipment. The offer includes a broad and comprehensive range focused on strong brands. All stores also offer services in the form of clothes printing and the logistics centers offer alteration and embroidery services along with printing.

Sales are made via the group's store network and specialist salesforce and e-commerce. The products are available on all the group's geographic markets; Sweden, Norway, Finland and Estonia.

A combined range within workwear and personal protective equipment in the division means the business area can be managed in a focused and targeted way to strengthen the group's position as a marketleader. In operational terms, the division is primarily located in Gothenburg and managed by an organization with extensive know-how and long experience within the sector.

Focus on product development and strong brands

The division focus lies in offering customers marketleading products within all relevant areas, which calls for a good balance between own brands and external brands. Own brands enable better control over the value chain and potentially higher margins while external brands complement these with marketleading products within areas that are important for customers. The range is divided into four product categories; Workwear, Footwear, Gloves and Personal Protective Equipment (PPE).

The division pursues systematic range work to develop and strengthen the offer, both via the development of own brands and external brands. Balance is important in the range and the various product brands should complement each other to meet the needs of professional users. There is a strong focus on product development and new products are continuously being developed and existing products updated, improved or discontinued. Product development is partly done internally and partly via partnerships with other producers and suppliers. Appreciated properties and the functionality of our own brands are exploited crosswise provided this is in line with the relevant product price and performance profile. During the year, the division has worked on further developing the product development process with the aim of making internal processes more efficient and to bring new products to market more rapidly. A number of successful product launches were implemented in 2018, such as Björnkläder's new Carpenter Soul and Björnkläder Parvotex ranges, a new collection in Parvotex, a lighter material with inherent flame retardant that is certified to the latest flame retardant standards. Another successful launch was a premium range of work gloves from Balance.

In line with more and more Swedol stores including a Grolls center, a larger number of customers are gaining access to a more complete range of workwear and persoRevenue

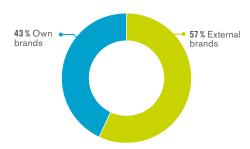
Operating profit

168.2 MSEK

Proportion of group sales

52.1 %





nal protection. A larger number of Grolls centers within the group store network moving forward in combination with a strengthened sales organization offers good potential for increased cross sales.

Choice of materials and quality

One consequence of the division's extensive product development work is greater responsibility and requirements on control in the production chain. To reduce the impact on people and the environment, systematic work is done to ensure products are of high quality and made of the right materials. A key and unique part of Swedol's product development of clothing lies in the specification work. The material composition of garments is specified in detail to enable total control over content and quality. Such control over the material composition also assures total traceability, which ensures continuous improvements. To ensure no undesirable chemicals are found in our products, we apply a chemicals restriction list from RISE/Swerea IVF. In the case of own brand products, our long-term aim is that all new materials should be certified by OEKO-TEX®. This work results in competitive products that are safe to use from an environment and health perspective.

During the year, external quality controls were introduced before shipping from Asia. Every new production of a fabric, is checked, which reduces the number of claims. By rejecting products that do not live up to requirements before they leave Asia, this avoids unnecessary shipping which makes a significant different from both an efficiency and environment perspective.

To ensure a range lives up to high demands on quality, safety and content, the division takes a goal oriented approach to prevent deviations in quality, safety or chemical content associated with products.

>> For further information on product testing and results, please see sustainability note 1



Björnkläder

Björnkläder is a premium brand within workwear. The brand dates from 1905 making it one of the oldest suppliers of workwear in Sweden. Björnkläder offers a comprehensive range of workwear for all customer groups. The clothes are hardwearing, practical and fashionable, with quality the number one focus. Sustainability is a priority area and the majority of the range is OEKO-TEX® certified.

Gesto

Gesto offers a broad range of workwear and safety shoes for professional users. The products are characterized by quality and functionality together with value for money and a sporty design.

Nytello

Nytello is a brand for lightweight workwear primarily marketed to professional groups within the Hotel & Restaurant, Healthcare and Care and the Cleaning and Service sectors. The majority of garments are OEKO-TEX® certified.

Univern

Univern is a Norwegian premium brand that dates from 1977. The offer includes a complete range of professional workwear specially designed for extreme outdoor environments where there are exacting demands on protecting against wind, water and cold.

Balance

The Balance brand offers a premium range of work gloves for both precision and power applications. The majority of models are light and flexible with a design that excels in the cut where fashion meets sport. In 2018, 17 new models of gloves were launched and development work is proceeding at a rapid pace.

Sales per product group

12%

9%







Personal Protective Equip-

Full range of premium brands including ear defenders, hardhats, respiratory protective equipment, safety harnesses

Footwear

Broad range of work shoes, safety shoes and leisure shoes from a combination of leading external brands and own labels.

Gloves

Customer focused range of precision- and power gloves from own label and external brands

Workwear

Broad range of heavy workwear, light workwear, safety clothers and multi standard clothing. Own labels are complemented with premium external brands.

Own brands











Tools and Supplies

Swedol's Tools and Supplies Division is a complete supplier for professional users within the product categories Tools, Supplies, and Farming and Forestry. The range combines breadth with depth within selected categories that are especially important for our customers.

A multispecialist for professional users

Our Tools and Supplies Division brings together the group's business within product categories, Tools, Supplies, Farming and Forestry.

The Tools and Supplies Division is an innovative multispecialist within a number of important product categories. A broad base range that combines value for money with quality to cover the fundamental requirements of professional users. The offer is complemented by selected premium categories that are important for prioritized customer groups, which very largely consist of small and medium size enterprises. The offer also includes services designed for professional users. All normal stores in the Swedol chain offer hose crimping and chain manufacture. There is also a central service workshop for tools and machinery, and calibration of lasers and torque wrenches is also offered.

One of the key strengths of both the division and the group is knowledge and commitment. Many of the division's products put high demands on the specific technical expertise of employees in order for them to be able to assist customers in making the right choice of products, providing advice and service. Our employees are therefore trained in product application areas and maintenance to ensure customers get the best possible service. Being a complete partner to customers, strengthens the division's competitiveness.

Meeting customer expectations calls for a balanced mix of own brands and external brands. The group's own label products range from advanced to more basic products and often afford a higher margin than on external brands. In addition to these own brands, externals brands are fundamental in offering customers a broad and value for money core range complemented by the best products from the foremost brands.

The range is divided into three general product categories Tools, Supplies, and Farming and Forestry. These can in turn be divided into six product groups: Workplace Equipment, Fluidics, Vehicle Accessories, Farming, Forestry & Gardens, Oil & Chemicals and Tools.

Tools

One of the division's specialist areas is Tools where the group is aiming to gain a leading role on the market. One specific investment area is fastenings, where the range has been expanded within building fastenings, for example. Fastenings is a big market and the products are important for many of the group's prioritized customer groups at the same time, and will therefore continue to be an important investment area. The products are in high demand with plenty of repeat purchasing by companies in construction and industry.

The product category Tools can be divided into a number of sub categories. One example is power hand tools that includes drills, hammer drills, screwdrivers and sanders.

Revenue

1,551.5 MSEK

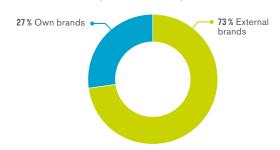
Operating profit

157.1 MSEK

Proportion of group sales

47.9 %

Proportion own label products



Other sub categories include Equipment accessories with a broad range of accessories and hand tools such as hammers, spanners, pliers and saws.

A common denominator for these different sub categories is a high quality range that includes products from many strong external brands, such as Bosch, Hikoki, Milwaukee, Hultafors, Tyrolit and Bahco.

Supplies

The division has a broad offer of necessities within construction and industry. A large proportion consists of oils and chemical products where OKQ8 is an important supplier.

One specialist area within Supplies is Lifting and loads where Swedol is one of the leading companies in Sweden. As a rule, these products have a high repeat purchase frequency and including lifting equipment, load restraints plus winches and pallet lifters. Lifting and loads comprise a continuing investment area where Swedol is striving to strengthen its role as a specialist.

The range of vehicle accessories has grown rapidly in recent years. Within vehicle lighting, we have an own label brand Award, that's has built up a complete and marketle-ading range in a short time.

Farming and Forestry

The Farming and Forestry range is aimed at professional users within farming, forestry and parks management. The products include garden equipment, water pumps and felling tools from renowned brands such as Klippo and Gardena. One important launch in 2019 is of powerful and silent battery powered garden tools for professionals from Cramer.

This product category also includes our own Nima brand with a broad range of high quality products.



Strict requirements on quality and safety

The ability to meet stakeholder expectations when it comes to safety, quality and environment considerations related to the range, is crucial to retain customer confidence. Certain products in the division such as e.g. tools, chemicals, vehicle accessories and safety equipment are also subject to particularly exacting demands on safety and quality. For this reason, the division takes a systematic approach to quality requirements, product testing and certification to ensure compliance with very high safety requirements with regard to performance, chemical content and documentation. To reduce risks related to human health and the environment, Swedol has adopted the Reach and POP Regulation and the RoHS Directive. Work is actively pursued to discover possible inadequacies in quality and safety work in whichever part of the production chain they may be. Were inadequacies to be discovered internally or by a customer, these are registered electronically and monitored in relation to the respective purchasing category. If a safety failing were to be discovered, all products affected are blocked in the system to ensure they cannot

up to high demands on quality, safety and content, the division takes a goal oriented approach to prevent deviations in quality, safety or chemical content associated with products.

>> For further information on product testing and results, please see sustainability note 1

Sales per product group

20%

12%

14%



Workplace equipment



The product groups includes hydraulic hoses, connectors and dehumidifiers plus electric cabling, high voltage products and batteries.

Vehicle accessories

The range includes batteries, vehicle electrics, heavy and light vehicle and car accessories, anti slip and trailer accessories.

Farming, Forestry & Gardens

The range includes garden and forestry machinery, tools, electric fencing plus hunt and slaughter products.

Oil & Chemicals

The product group Oil & Chemicals includes oils, fillers, paint, cleaning products, adhesives and anti corrosion products.

Tools

This range includes hand tools, power tools, welding equipment, compressed air plant, workshop fixtures and fittings and door fittings.

be sold by stores. To monitor and manage work to ensure a range lives

Own brands (OB) Within OB, Swedol owns the relevant brands which ensures control over quality and pricing and total responsibility for the products vis-à-vis customers.

swedol







Own label products (OLP) Own label products give Swedol exclusive right to sell unique products on a market under the supplier's







Responsible purchasing

An attractive range based on solid knowledge and an efficient purchasing process in combination with long-term relationships with the right supplier base. Purchasing operations are key to being able to offer quality assured and sustainable products with good sales margins.

Long experience and efficient processes

Group purchasing is pursued within the division and category organizations by knowledgeable category managers and strategic purchasers with long experience. Together with efficient processes, sound knowledge about ranges, certifications and suppliers is crucial in being able to best match purchasing requirements. Purchasing work is a team process with short decision paths which means spotting changes in sales patterns can be picked up at an early stage and purchasing then modified accordingly. A system for monthly results analysis at product level was introduced in late 2018, which means the role of individual products in the big picture can be evaluated.

The aim of the purchasing organization is to obtain the right products at the right price while at the same time gaining reliable suppliers that enable high stock availability combined with a good rate of stock turnover.

The purchasing picture differs between the two group divisions. Within Workwear and Personal Protection, own brands comprise around half the range and production is primarily outsourced to Asia, which increases the importance of requirements specification and monitoring of suppliers. Within Tools and Supplies, there is a higher proportion of external brands, a broader supplier base and production is done to a greater extent in Europe, compared to Workwear and Personal Protection. During the course of the year, Swedol revised its purchasing policy with the aim of creating groupwide parameters for both divisions.

Right supplier base

The right supplier base is a must for successful purchasing and range work. When working to develop the group supplier base, product quality, reliable deliveries, sales margin and sustainability are prime criteria. The balance in the supplier base in terms of number of suppliers and their share of the total purchase volume for instance, is important in combating risks in the goods flow and ensuring the group's negotiation strength. Quality, responsibility and profitability go hand in hand in long-term and close cooperation between Swedol and prioritized suppliers.

Responsibility in the supplier chain

Swedol's responsibilities extend further than its one enterprise. Clear demands are therefore specified to suppliers that manufacture products the group sells to take their corporate social and environment responsibilities with the utmost gravity. This is a particularly prioritized area as Swedol imports products from countries where there are risks that such requirements are not met.

The group is a member of the amfori Business Social Compliance Initiative (amfori BSCI), a global business initiative that works to ensure responsible supplier chains. Within the parameters of amfori BSCI, a common code of conduct and a common system for monitoring the supplier chain and its continued development are employed. The code of conduct specifies requirements on compliance with internationally acknowledged conventions on human



rights and decent working conditions and contains principles on good business ethics and reduced environment impact.

Before any agreement is signed for new supplier cooperation, Swedol performs an assessment of the supplier's ability to make reliable deliveries of quality and value for money products and its ability to live up to the requirements set out in the code of conduct. Within our Workwear and Personal Protection Division, suppliers of own label products are required to sign the amfori BSCI code of conduct. Suppliers of external brands can be approved if they can present their own code of conduct with a corresponding content. The Tools and Supplies Division will apply the Swedol code of conduct to suppliers that all suppliers are required to sign up to, until further notice. In cases where the group enters into contracts with agents, these are required to further communicate and monitor corresponding requirements. The goal is for all group suppliers to be compliant with amfori BCSI or a corresponding third party audit. In 2018, all new suppliers of own label products have signed the amfori BCSI code of conduct and Swedol is in the process of getting all existing suppliers to sign up to this.

Monitoring and cooperation

Supplier visits provide a good insight into a supplier's business and are an important part of ongoing development work. Swedol aims to visit all significant suppliers at least once every three years. If deviations from the Swedol requirements are discovered during a supplier visit, in the first instance, a joint plan of action is to be established and then with the aid of support and training, compliance with the code of conduct can then be assured. In the event of gross or repeated deviations from the code of conduct, cooperation can, however, be terminated.

>>For further information on supplier visits completed, the findings and actions, please see sustainability note 2

Business ethics

Ethical behavior and good business practice are key to Swedol's development and profitability. Swedol will not accept any form of corruption and adheres to the Swedish Anti-Corruption Institute code on gifts, rewards and other benefits in the enterprise sector. To minimize the risk of irregular conduct arising, all purchasing and supplier contacts are to adhere to the group purchasing procedures. Via close cooperation, Swedol takes a proactive approach to minimize risks of agents and business partners contributing to corruption or acting in ways other than in line with the code of conduct.

Scalable logistics

Logistics is an important factor in the group's competitiveness and continuous improvement work is undertaken to coordinate processes and further increase efficiency and delivery quality.

Efficient and scalable logistics model

Swedol's logistics department is an important factor in the group's competitiveness and crucial for delivering in line with our omnichannel concept.

The goal of group logistics is to serve all customers in a reliable and efficient way irrespective of sale channel while assuring high availability. The logistics department has three logistics centers, located in Örebro and Hisings Backa in Sweden and Skedsmokorset in Norway, that between them, supply all stores, mail order customers and retailers with products.

Logistics optimization

Swedol works continuously to optimize logistics flows with the aim of increasing the level of service to customers, boost company profitability and reduce environment impact.

A number of new freight procurements were agreed and partnerships with existing transport suppliers expanded during the year, which has led to improvements such as shorter lead times within cross product supply and coordination gains. Increased scope to combine orders is an important step in reducing climate impact of transport. Shipping costs have, however, increased as a consequence of higher market rates.

The stock turnover ratio was 4.3 (4.2) which is lower than the target level of 4.5 This stock turnover ratio was adversely affected during the year by growth initiatives and the establishment of a core range within Workwear and Personal Protection.

One important improvement area within logistics is increased digitalization both to make processes and flows internally more efficient and also to boost the customer benefits. One example is the coming implementation of a system where customers are offered several shipping and delivery options. This will include a collect@store service, which results in simplified flows.

Reduce environment impact of logistics

The group's negative environment impact is largely a result of carbon dioxide emissions arising from product transport, of which the biggest proportion relates to air and sea freight. Reducing our carbon footprint caused by product shipments is therefore a prioritized issue. Swedol specifies clear demands on transport suppliers and optimizes logistics flows for both inward and outward deliveries. Logistics management have monthly strategy and operations meetings, an ongoing dialog with suppliers and at least one monitoring meeting per year concerning global shipping.

To reduce carbon dioxide emissions caused by product transport, Swedol is addressing areas such as improved purchase planning, reducing the amount of air freight and increasing fill capacity in containers that are shipped by sea by coordinating loads of products from different suppliers. In 2018, a switch to rail transport was also introduced which means more environment friendly transport with rail prioritized where possible. Rail transport has the potential to replace air, sea and road transport as a cost effective and less environment harmful alternative.

In addition to the climate impact of carbon dioxide emissions, logistics operations also entail other forms of environment impact via, for example, packaging waste and energy consumption. To reduce such environment impact, these areas are audited for the purposes of monitoring and efficiency improvements. In 2018, the group switched to LED lighting at its logistics centers in Örebro and Hisings Backa, which reduced energy consumption.

>>> For further information on the logistics department's environment related goals and results, please see sustainability note 3

Logistics services in Sweden are concentrated in Örebro

The group took the decision during the year to concentrate all Swedish logistics and processing operations to Örebro effective 2020. The aim of this is to make goods flows more efficient, reduce costs and increase the level of service to customers. The modern logistics center in Örebro has also been the subject of comprehensive efficiency work in recent years and operates at a high level in terms of all internal key figures. The planned expansion includes both warehouse and processing space and will increase the total area of the logistics center to 28,000 sq m, from the current 18,500 sq m. In association with centralizing logistics operations to Örebro, the logistics operations in Hisings Backa will be relocated and this center closed.

The centralization of logistics will increase the degree of automation, concentrate inventory and distribution to the demographic center point of Sweden and create a scalable logistics department that can quickly adapt to changes within both the group and the outside world. The group will have greater scope to improve control of the entire goods flow, lower inventory costs, increased stock turnover ratio and optimize purchasing volumes. Customers will be offered good lead times to all markets in the Nordic and Baltic regions, centralized printing, embroidering and alteration services, plus combined deliveries of orders from group concept brands.





The expansion of the logistics center in Örebro will enable centralized printing, embroidery and alteration services and combined delivery of orders from group concept brands.

Attractive employer

By developing a strong corporate culture, clear leadership and development opportunities, Swedol offers a workspace for knowledgeable and enthusiastic employees who want to be part of the company and help develop both themselves and the company.

Strong common culture

Simple, professional, heart and drive are the value words that form the basis of the Swedol corporate culture. These values provide guidance for employees in their work, how they act with each other and in interfaces with customers and other stakeholders. Together, our employees create a strong corporate culture and Swedol takes a systematic approach to providing ways of working, tools and procedures that are required to be an attractive employer, both now and in the future.

Annual employee survey

Having a good insight is key to creating an attractive work-space that appeals to inspired and motivated employees. Swedol organizes an annual employee survey containing questions such as leadership, involvement, culture, psychosocial work environment, team effectiveness and employer attractiveness. The results are taken into account in business planning and help shape new initiatives and changes in target figures. The 2018 employee survey showed stable results with a high response rate. The level of involvement has moved in a very positive direction and shows a high level among both managers and employees. Customer focus and respect between employees also remained high. However, managers showed an increase in stress levels and there was a slight drop in willingness to recommend the company as an employer.

The attractiveness of Swedol as an employer is part of the annual employee survey. To measure employer attractiveness, the group uses Employee Net Promotor Score (eNPS), which is a measure of how willing employees are to recommend

+13

2018 eNPS for Swedol amounted to +13 (+19)

their workspace to a friend or acquaintance. The goal is to be in line with the benchmark for retailing, which in 2018 was +14 (+22). The 8 point drop was a consequence of the changes within technology and skills sets. A big increase in e-commerce has led to changes in skills

sets. Some companies within retailing are recruiting more flexibly and reducing full time employees and salaried personnel. As a consequence, employees in these companies can feel a sense of insecurity in their employment and less likely to recommend the employer. Swedol's 2018 eNPS was +13 (+19). This lower score can probably be explained by increased worry about the consolidation of logistics services notified and to an extent, store integrations as well.

To further clarify what the group is working towards and to strengthen each individual employee, Swedol is going to develop more individually adapted targets and monitoring work in 2019.

>>> For Swedol's eNPS between 2016—2018 and target levels, please see sustainability note 4

Clear leadership

Good and clear leadership strengthens and develops employees and the organization as a whole. Managers at Swedol should feel a clear responsibility for their employees and allow plenty of scope for employee issues in daily activities.

In 2018, all managers have been included in the group's leadership program that contains three modules. Managing business and managing others, the subject of the first two modules in the program, were completed during the year and the last module, Managing yourself will be completed in 2019. Swedol plans to develop a specific company related work environment course in 2019 for both managers and employees.

Swedol uses a leadership index as a tool to identify and facilitate continuous improvements in leadership within the group. The leadership index is based on goal fulfillment and how leadership is perceived. The employee picture of how they perceive leadership is an important part of this. Investments in leadership in recent years has helped to boost the leadership index in the annual employee survey. However, in 2018 this positive curve slowed and remained at the same index score of 75 as last year. The group's target is for the leadership index to reach 80.

Values





Development of employees

If Swedol is to be able to offer quality products and services in a simple and professional way, the group must develop enthusiastic and knowledgeable employees in a successful way. Training and skills development are therefore of great importance and adapted individually to each employee. This work is then continuously evaluated in association with annual performance appraisals. In 2018, performance appraisals were held with 76 percent (70) of all employees who had been with the company for more than a year. Feedback on training and skills development efforts completed is done via the annual employee survey.

Diversity and equal opportunities

Diversity and equal opportunities are an important element in work to strengthen Swedol's corporate culture. Diversity and equal opportunities in the workspace can contribute to encouraging higher efficiency and quality. Within Swedol, everyone should be treated equally, irrespective of gender, age, ethnicity and other diversity criteria. Our current aim of having at least one female employee in each store and at least five female employees in newly opened stores, was achieved in 2018.

Swedol actively works to promote and integrate diversity and equal opportunities.

In 2018, company management has revised the group's workspace policy and clarified guidelines on bullying and harassment. Questions concerning diversity and equal opportunities

75

2018 leadership index amounted to 75 (75)

are included in the annual employee survey with the aim of obtaining a snapshot of the current situation in the organization. The results will be used to set out clearer goals and priorities within this area in 2019.

>>> For further information on gender balance, please see sustainability note 4

Occupational Health and Safety

A stronger work environment is important in being able to offer a stimulating and safe workspace. To promote employee health and well-being and prevent accidents, Swedol laid the foundations for a coherent structure and systematic health and safety work in 2018. Employees are guided in their work by the group code of conduct, workspace policy, guidelines and descriptions of procedures.

The acquisition of Grolls in 2016 has entailed comprehensive integration work that continued in 2018 and accordingly meant a continued high work load for group employees. Total sick leave for the group was 4.63 percent (3.99).

Swedol actively works to create simpler flows, more efficient ways of working and the right conditions to prevent physical and mental health problems for employees. Actions that aim to contribute to preventing stress and a poor balance between requirements and resources that can arise following organizational changes, for example. All employees in Sweden are offered a health and wellness benefit and employees who require counseling and rehabilitation support are offered this.

The biggest physical occupational health and safety risks for Swedol employees are linked to the group's logistics centers. In the case of the Örebro center, the group looks specifically at the number of accident-free working hours. Registered accidents include both accidents that result in sick leave and others that do not. The aim is for there to be at least 3,500 person hours between each registered accident, The actual figure for 2018 was 2,343 hours between each accident, compared to 2,876 hours in 2017. One explanation is that the level of detail in the reporting has increased. The number of accidents that resulted in sick leave fell from six to three during the year.

The coming expansion of the center in Örebro has been planned with occupational health and safety in mind.

>> For further information on employees, personnel turnover, sick leave and injuries in the workspace, please see sustainability note 4

Code of conduct and business ethics

For job satisfaction, commitment and to leverage the full potential of every employee, treating everyone with respect is vital. Swedol works to a high ethical standard and has a zero tolerance approach to corruption and other unethical behavior. Swedol's code of conduct offers guidance to all employees in how they are expected to act with regard to business ethics, consideration for colleagues, customers and the environment, for example. If any possible irregularities were still to arise, Swedol will investigate these as soon as possible. Swedol has a whistleblower program where reports can be made anonymously with regard to serious cases of irregularities that concern persons in executive positions. Any such cases will be considered by an external and independent body. Investigation of cases will be done within the organization and where called for, actions will be taken. Cases that are not sufficiently serious to be dealt with in this system, are to be reported in such a way as set out in other group policies, guidelines and procedures. Three cases were reported to the whistleblower program in 2018. None of these incoming cases were serious enough to be addressed in the program, and were dealt with within the organization in line with the applicable procedure.



Swedol shares

Swedol B shares have been listed on the Nasdaq Stockholm since 12 June 2008, having originally been floated on the First North on 12 June 2006. The Swedol share price rose 7.9 percent during the year and finished the year at SEK 31.40.

Swedol's share capital amounts to MSEK 12.5 divided into 1,820,000 A shares with 10 votes per share and 81,380,000 B shares with 1 vote per share. All shares have equal rights to dividends.

Share price development

Swedol shares closed at SEK 31.40 per share on 28 December 2018, the last trading day of the year. Since the flotation in June 2006, Swedol shares have risen 214 percent. Over the same period, the OMX Stockholm Pl-index has risen by 77.1 percent. Swedol shares traded at a highest price of SEK 35.30 (in March) and a lowest price of SEK 25.20 (February) for the year. The share price rose 7.9 percent in 2018 while the OMX Stockholm Pl-index fell by 7.7 percent. If Swedol A shares are assumed to have the same value as the B shares, the company had a market capitalization of MSEK 2,612 at the end of 2018.

Trading and turnover

Swedol B shares (SWOL B) are listed on the Nasdaq Stockholm and since 2 January 2018, have once again been on the Mid Cap list. During the year, 27,201,246 B shares were traded, which corresponds to a share turnover ratio of 33.4 percent, based on the total number of B shares outstanding. The number of settlements for the year was 53,557 with an average daily volume amounting to 108,805 shares. Of the total trading in the shares, 84.6 percent were done on the Nasdaq Stockholm and the remainder on alternative markets, such as Cboe BXE and Turquoise.

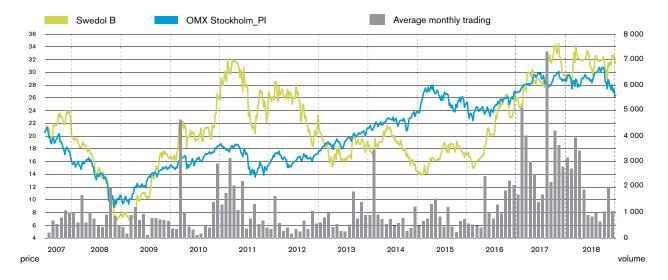
Swedol shares 2007-06-30-2018-12-31

Dividend

Swedol should have the opportunity of continued growth while retaining its financial strength. Against this background, the board has resolved a dividend policy that means a dividend of 30-50 percent of the group's net profit. The board proposes that the Annual General Meeting should approve a dividend of SEK 1.20 (0.90) per share for 2018. The total dividend would therefore amount to MSEK 99.8 (74.9) This proposed dividend amounts to 39.6 percent of the group's net profit. Swedol's strategy aims to create good growth in value via organic growth and acquisitions. The present capital structure and profitability are assessed to providing adequate scope for the proposed dividend with regard to the requirements and opportunities that the nature, scale and risks of the business impose on parent company and group shareholders' equity and liquidity.

Share capital development

According to the company's articles of association, share capital should comprise a minimum of MSEK 8.4 and a maximum of MSEK 33.6. The number of shares should be a minimum of 28 million and a maximum 112 million shares. Each share has a quotient value of 0.15. In association with the share flotation in 2006, Swedol implemented a new issue, which increased the total number of shares to 32,000,000 and in 2011, a share split was implemented (1:2) that increased the total number of shares to 64,000,000. In association with the acquisition of Björnkläder Intressenter AB in June 2016, a preferential share issue was implemented (3:10) in the month of September. 420,000 A shares and 18,780,000 B shares were issued.



Source: SIX&WebfinacialGroup

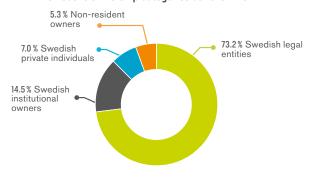
Effective 30 September 2016, the total number of shares was 83,200,000.

Shareholders

At year end, There were 5,440 Swedol shareholders, which is a reduction of 23.6 percent compared to one year earlier. The ten largest shareholders at the same time, accounted for 87.8 percent (76.0) of the capital and 90.0 (80.0) percent of the voting rights.

On 14 March, Nordstjernan AB entered into a Share Purchase Agreement with AB Zelda for the acquisition of a majority of the AB Zelda shares in Swedol AB. The agreement covered 18.9 percent of the outstanding shares and 27.5 percent of the voting rights in Swedol. On completion of the mandatory offer, Nordstjernan purchased an additional number of shares in December, and at year-end, owned 55,720,542 shares in Swedol, consisting of 1,820,000 A shares and 53,925,800 B shares, corresponding to 67.0 percent of the outstanding shares and 72.4 percent of the voting rights in Swedol.

Swedol's ownership categories at 2018-12-31



The 10 largest sharholders in Swedol at 2018-12-31

	A shares	B shares	Share of capital	Share of votes
Nordstjernan AB	1,820,000	53,925,800	67.0 %	72.4 %
Handelsbanken fonder*	-	6,449,834	7.8 %	6.5 %
Försäkringsaktiebolaget Avanza Pension	-	3,415,390	4.1 %	3.4 %
FW Förvaltning (Zelda AB)	-	2,200,000	2.6 %	2.2 %
HSBC Bank PLC	-	1,947,991	2.3 %	2.0 %
AMF- Försäkring och Fonder	-	1,035,672	1.2 %	1.0 %
Danica Pension	-	951,610	1.1 %	1.0 %
SEB Investment Management	-	770,067	0.9 %	0.8 %
BNP Paribas	-	600,000	0.7 %	0.6 %
Skogsvik Förvaltning	-	395,000	0.5 %	0.4 %
Total 10 largest shareholders	1,820,000	71,691,364	88.3 %	90.3 %
Other shareholders	-	9,688,636	11.7 %	9.7 %
Total	1,820,000	81,380,000	100 %	100 %

^{*} Includes Microcap Sverige and Sverigefond Index.

Swedol's ownership structure at 2018-12-31

	Number of share-					
Shareholding	holders	A shares	B shares	Share of capital	Number of votes	Share of votes
1-500	3,601	-	503,582	0.6 %	503,582	0.5 %
501–1000	720	-	548,313	0.7 %	548,313	0.6 %
1001-5000	844	-	1,825,772	2.2 %	1,825,772	1.8 %
5001–10000	126	-	878,473	1.1 %	878,473	0.9 %
10001–15000	42	-	532,755	0.6 %	532,755	0.5 %
15001–20000	22	=	399,681	0.5 %	399,681	0.4 %
20001-	85	1,820,000	76,691,424	94.4 %	94,891,424	95.3 %
Summa	5,440	1,820,000	81,380,000	100,0 %	99,580,000	100.0 %

Risk management at Swedol

Swedol's business activities are associated with risks in different ways. Well considered risk management can lead to new opportunities, and ultimately create value for Swedol and its stakeholders, while at the same time, risks that are not managed correctly, can lead to damage and losses.

Meeting the goals set out in the Swedol business plan, can be affected in both the short and long term by strategic, operational and financial risks. To minimize risks and the negative impact of such, Swedol works in line with an established process in accordance with the COSO framework where risks are continuously identified, analyzed, managed and reported within the group.

Strategic risks

Strategic risks can mainly be traced to factors outside Swedol's own business and concern risks in the form of changes in strategic circumstances.

D Economic cycle risks and external risks

Demand for Swedol products is dependent on growth in the economy and lower growth or external events that affect global trade or other circumstances can impact revenues and profitability negatively.

Risk management

Swedol counters these risks by adapting its business operations to the prevailing demand, pursuing business on several geographic markets and by maintaining good financial stability.

B Structural risks

Swedol is exposed to significant competition. Competitors consist of both local companies within tools and personal protection plus national and international chains oriented to companies or consumers. Added to which, the risk of negative pressure on margins is greater on the large customer market that is characterized by price pressure and customer specific solutions. SMEs generally exhibit greater flexibility in employment during economic upturns and downturns. Technology developments can also change the structure on the market in the form of, for example, competition from companies with new delivery models, changing customer preferences and changed product requirements.

Risk management

Swedol's risk sensitivity is limited by the group's sales focus on SME customers. Via an omnichannel concept, Swedol interfaces with its customers based on their needs and preferences.

Operational risks

Operational risks are mainly risks that lie within the control of Swedol. Supply and range problems plus failings in financial, social and environment related responsibilities are examples of risks in day to day operations.

C Acquisition and integration risk

Acquisitions entail risk both in the actual acquisition transaction and the subsequent integration. In addition to company specific risks, the acquired company's relationships with key personnel, customers and suppliers can be adversely affected. There is also a risk that integration

processes can come to take longer or become more costly than estimated, and the anticipated synergies fail to materialize wholly or in part. Unsuccessful integration of acquired businesses can come to affect the Swedol brand and earnings negatively. Store integrations within the existing store network can also entail risks for both brands and results. A larger number of smaller acquisitions increase the probability of unsuccessful integrations but reduce their impact, compared to a small number of major acquisitions.

Risk management

Swedol performs careful analyses before implementing any acquisition. In the case of businesses that are integrated into Swedol, both integration costs and synergy effects are closely monitored.

Risks in sales and operating margin

Swedol's sales-related risks can concern products in the range not matching demand, having low margins or that the sales channels do not live up to expectations with lower sales and margins as a consequence.

Risk management

Swedol has a broad customer base and is not dependent on a small number of branches or a handful of large customers. Swedol also has a broad product portfolio and a balanced proportion of own label products, which strengthens the offer and enables higher margins. The group's sales channels are continuously monitored and developed.

Risks in the organization

Qualified key personnel along with knowledgeable and enthusiastic employees are an important contributory factor in Swedol's ability to realize strategies and achieve targets. If Swedol were unsuccessful in ensuring an attractive place to work, this would have a direct negative impact on the company's ability to attract, engage and retain suitably qualified employees.

Risks in the goods flow

Swedol works to create a safe, fair and diversified workspace with high job satisfaction and pride amongst employees on an ongoing basis. Plus, important processes for further developing working methods and reducing personnel dependency are documented.

Risks in the goods flow

Swedol is dependent on goods flows working in a reliable and cost efficient way. The goods flow process starts as early as the purchasing planning stage and failings in the purchasing department can create interruptions in the goods flow even before the logistics department can distribute the products. An increased share of products from Asia also imposes greater demands on an efficient purchasing process. Were the logistics centers then to be

knocked out, the group's imported products would be noticeably affected for a time, but the business would be able to continue in stores by having products delivered directly by suppliers. The expansion of the logistics center in Örebro entails an increased risk of interruptions in the goods flow. At a time when demands on logistics and inventory capacity are increasing, awareness is also growing with regard to the importance given to environment considerations by businesses in the eyes of customers and other stakeholders.

Risk management

To meeting increased demands on goods flows and inventory capacity, logistics are regularly evaluated and made more efficient. Purchasing work is carefully planned and monitored systematically to reduce the risk of possible interruptions. By combining goods flows, maintaining a high fill rate and prioritizing alternatives to air freight, Swedol strives to reduce the negative climate impact that transport contributes to.

G Risks in inventory

One risk for trading companies that hold large volumes of stock is that inventory can become outdated and have a low stock turnover ratio. With a higher proportion of products from Asia that entail longer shipping times, the greater the risk of a build-up of stock levels that leads to lower turnover ratios.

Risk management

Swedol works systematically to develop the range and make purchasing and logistics processes more efficient with the aim of increasing the stock turnover ratio and reducing the risk of outdated stock. Careful checks, on site before the products are shipped, to reduce the risk of outdated products, helps with imports from Asia. The group has developed a core range, to ensure acceptable levels of stock turnover ratios.

(I) Waste

Swedol risks exposure to waste of different kinds, from deliberate waste such as shoplifting, theft and fraud to administrative waste and a sub optimal use of company resources. Growing e-commerce also leads to the risk of new forms of waste with the risk of orders of fraudulent intent placed by other people or in the name of companies.

Risk management

The group works continuously to improve security in stores to prevent waste in the form of products, money and time. Good internal controls reduce the risk of fraud.

OIT risk

Swedol's business is dependent on a functioning systems environment and appropriate procedures that are developed in line with the business. Operating interruptions and outages in checkout, e-commerce and logistics and stock management systems, would have a direct impact on ope-

rations as it is difficult to switch back to manual processing with the same capacity.

Risk management

Swedol continuously works with activities to limit the number of disturbances in systems and the consequences of such. Via proactive work to identify and reduce possible threats, the risk of unauthorized access and loss of information is reduced.

Product risks

The ability to meet stakeholder expectations when it comes to quality, transparency, legislative compliance and requirements related to the range is crucial to customer confidence. Group products also need to meet customer expectations in terms of function, quality, safety and price to avoid the risk of becoming unprofitable.

Risk management

Swedol works continuously to optimize the offer to customers from a quality, price and environment viewpoint. Swedol has adopted the Reach and POP Regulation and the RoHS Directive that stipulates requirements on companies taking responsibility for products and their impact on society in general. The group also applies the precautionary principle when designing products and performs regular product testing to ensure exacting demands are met on function, quality, safety and chemical content. This means that products and substances can be gradually replaced if necessary. Comprehensive product development and ongoing work on the range ensure that the group has a range that delivers high product quality, safety and customer satisfaction.

Responsibility in the supplier chain

If Swedol's suppliers were to prove to be in breach of international rules or deviate from accepted standards, the group risks negative publicity and legal consequences.

Risk management

With the help of amfori BSCI and the Swedol code of conduct for suppliers, the group specifies demands on and evaluates suppliers to ensure that they operate in a responsible way and that risks linked to environment impact, human rights, corruption and social conditions are minimized.

1 Ethical risks

In its guise as a large organization and listed company, Swedol has a responsibility to act in an ethical and exemplary way. Unethical behavior could lead to legal consequences and damage the company's reputation and trust in it.

Risk management

The group works to a high ethical standard and has a zero tolerance approach to corruption. Swedol requires all employees, business partners and suppliers to act in

Materiality analysis

We list below the theoretical effect on our results of several important factors.

Factor	Change	Effect on profit before tax, MSEK
Sales volume*	+/- 5 percent	62.6
Currency		
-USD	+/- 5 percent	31.7
-EUR	+/- 5 percent	14.8
Personnel costs	+/- 5 percent	33.3

^{*} Assuming a change in volym and cost of goods sold, everything else equal.

accordance with its code of conduct. All employees take a course in what the code of conduct contains and entails.

Finance-related risks

Finance-related risks can mainly be traced to factors outside Swedol's own business and concern risks in the form of changes in financial circumstances.

Wage inflation in manufacturing countries

Swedol is affected by changes in wage levels in those countries where group products are manufactured. This can vary between different products depending on what proportion of the manufacturing process is labor related.

Risk management

Swedol actively works to find solutions that improve the gross margin of the product range. This can, for example, mean that production of the group's own label products is moved to other countries if the pay situation in a manufacturing country leads to poorer margins on the range.

Commodity prices

Purchase prices of group products are affected by factors such as the world market price for individual commodities. This applies especially to electrical materials (copper), batteries (zinc), lighting (aluminum), plastic products (oil) and clothing (cotton). The group does not hedge the price risk of underlying commodities. This entails a risk as the purchase price of the products concerned is affected by commodity price changes while the sales price is dictated by the market for the respective product.

Risk management

Swedol strives to neutralize the negative impact of costs from the commodities market, including by price adjusting changes in commodity prices.

U Liquidity risk

Liquidity risk means that the group finds itself in a situation where it lacks liquid assets to cover the payment of undertakings.

Risk management

Swedol's liquidity reserve should cover 100 percent of estimated net investments for the coming six months and

Probability Impact Type of risk (1-5)(1-5)Strategic risks 4 Economic cycle risks and external risks 3 3 Structural risks Operational risks () Acquisition and integration risk 3 4 4 2 Risks in sales and operating margin 2 3 Risks in the organization 3 4 Risks in the goods flow 3 2 Risks in inventory 4 2 Waste 3 5 IT risk 2 3 Product risks Responsibility in the supplier chain 3 3 Ethical risks 3 Finance-related 5 3 Wage inflation in manufacturing countries 4 Commodity prices Liquidity risk 2 2 3 Interest rate risk Currency risk 5 2 4 (1) Write down of intangible assets

100 percent of operating capital requirements for the coming three months. Credit facilities ought to have a remaining agreement period of at least 12 months.

🕑 Interest rate risk

At the end of 2018, interest bearing net liabilities amounted to MSEK 311.1. Based on the size of these interest bearing net liabilities at the end of the year, a change in the interest rate level of e.g. 0.5 percentage points would affect profit after tax for the year by +/- MSEK 1.3.

Risk management

Swedol aims to use surplus liquidity for the repayment of loans, in the first instance. Historically, Swedol has had a relatively low proportion of interest bearing liabilities.

U Currency risk

Swedol is exposed to currency fluctuations via sales in NOK and EUR and a more extensive exposure via purchasing made in Asia and Europe. Swedol's main net currency exposure is to the USD and EUR.

Risk management

To manage currency exposure when purchasing in USD and EUR, forward hedging or similar derivatives are used to partly reduce the impact of possible currency fluctuations on a rolling 12-month basis in accordance with our finance policy.

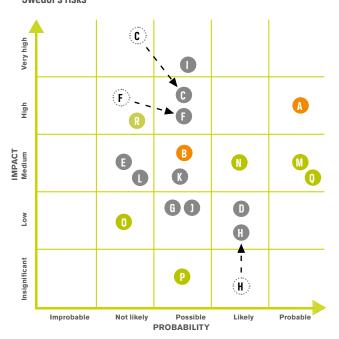
Write down of intangible assets

Acquisition related goodwill forms a significant part of the group balance sheet. Write down costs related to goodwill and other intangible assets. can have a negative impact on the group's financial position and earnings.

Riskhantering

Swedol bevakar relevanta omständigheter avseende verksamheten och det allmänna ekonomiska läget, och den möjliga påverkan sådana omständigheter kan få på värderingen av koncernens goodwill och andra immateriella tillgångar.

Swedol's risks



Corporate governance report

Swedol AB (publ) is a Swedish limited company that is the parent company of the Swedol Group. Swedol B shares have been listed on the Nasdaq Stockholm since June 2008.

Principles for corporate governance and external governing instruments

Swedol's corporate governance is about ensuring the company is managed in a sustainable, responsible and most efficient way possible. Important external governance instruments for corporate governance are the Swedish Companies Act, the Nasdaq Stockholm Regulations for issuers and the Swedish Code for Corporate Governance (The Code).

Internal governance instruments

Central internal governance documents for corporate governance include the board rules of procedure, instructions to the President and CEO, plus policies, plans and rules for the group's business activities.

Please see om.swedol.se for more information on Swedol's corporate governance, such as the articles of association, documents from AGMs and the group code of conduct.

The nomination committee

The nomination committee ahead of the 2019 Annual General Meeting has, in accordance with the guidelines for the nomination committee, resolved by the 2018 AGM, consisted of the following representatives of the three largest shareholders by voting rights in the company as of the last day of September 2018: Peter Hofvenstam (Nordstjernan AB), Yvonne Sörberg (Handelsbanken Fonder), and Rolf Zetterberg (FW Förvaltning AB). At the nomination committee constitutive meeting of 21 December 2018, it was resolved to appoint Yvonne Sörberg as chair of the nomination committee.

Peter Hofvenstam is a board member of Swedol and has a dependence in relation to the company's largest shareholder. According to the Code, board members can be appointed to the nomination committee but in such cases, they may not form a majority of nomination committee members. If more than one board member were to be a member of the nomination committee, the Code requires that no more than one of them may have a dependence in relation to larger shareholders in the company.

Nomination committee duties ahead of the 2019 AGM

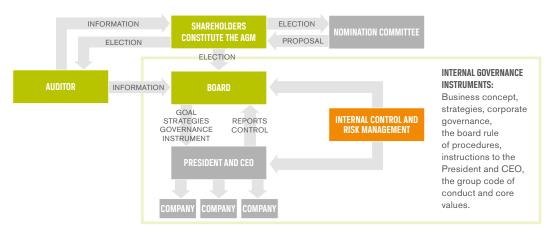
The nomination committee has been tasked with developing proposals for the 2019 AGM for the election of the chair of the AGM, election of board members, chair of the board and auditors, resolutions on fees for board members and auditors and guidelines for the nomination committee ahead of the 2020 AGM.

In its proposals for the election of a chair and other board members, the nomination committee has taken into account Swedol's diversity policy. The nomination committee assesses that the proposed board, in overall terms, has an appropriate competence and experience for the business that is pursued and to be able to identify and understand the opportunities and risks that the business entails. The aim is for the board to consist of members of different genders, varied ages and with different educational and career backgrounds. This contributes to an independence and critical questioning within the board.

Nomination committee ahead of the 2019 AGM

Members	Appointed by share- holder	Shareholder voting rights, % 30-Sept-18
Peter Hofvenstam	Nordstjernan AB	72.0 %
Yvonne Sörberg, chair	Handelsbanken Fonder	6.0 %
Rolf Zetterberg	FW Förvaltning AB	2.2 %
Total		80.2 %

Corporate governance



EXTERNAL GOVERNANCE INSTRUMENTS:

The Companies
Act, The Annual
Accounts Act, other
relevant laws, the
Nasdaq Stockholm
Regulations for
issuers and the
Swedish Code
for Corporate
Governance (The
Code).



2018 AGM

The 2018 Swedol Annual General Meeting was held on 15 June in Stockholm. The most important meeting resolutions are presented below:

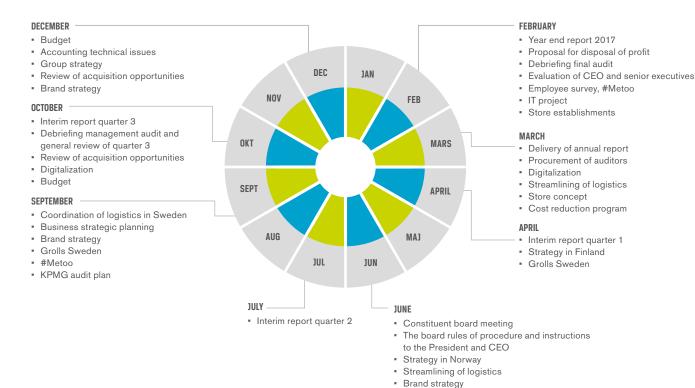
- Adoption of the income statement and balance sheet and the consolidated income statement and consolidated balance sheet
- Discharge of board members and CEO from liability for
- Dividend of SEK 0.90 (0.50) per share, in accordance with the board proposal
- Reelection of board members Lars Lindgren, Peter Hofvenstam, Christina Aqvist, Leif Reinholdsson and Sofie Löwenhielm. Board members Rolf and John Zetterberg declined to seek re-election
- Election of board member Staffan Andersson
- Election of Lars Lindgren as chair of the board
- Election of KPMG as audit company for one year with

Helena Arvidsson Älgne as audit manager

- Board fees totaling SEK 1,070,000 to be distributed as follows:
 - SEK 220,000 to the chair of the board
 - SEK 170,000 each to the other board members
- · Guidelines for remuneration to executive decision makers, in accordance with the board proposal (see pages 34-35)
- Guidelines for the appointment of the nomination committee ahead of the 2019 AGM with the following main content:
 - The nomination committee is to comprise representatives of the three largest shareholders by voting rights according to Euroclear Sweden's register per the last banking day of September 2018
 - The chair of the board may not be a member of the nomination committee but should be summoned to the first meeting
 - The nomination committee is to appoint its own chair

Acquisition opportunities

The board's work 2018



Shareholders

For information on the shares and shareholders, please see pages 20-21.

Other

There are no restrictions on how many votes each shareholder can exercise at an AGM and no restrictions in the articles of association on the appointment and removal of board members or a change to the articles of association. There is no mandate to the board from the AGM to resolve on the issuing of new shares or the buy back of shares.

The role of the board

The most important tasks of the board include setting out strategic guidelines, appointing, evaluating and if necessary, removing the CEO and having ultimate responsibility for the group's risk management and internal governance and control.

Diversity on the board

The board of Swedol should have appropriate combined competence and experience about the business that is pursued and to be able to identify and understand the opportunities and risks that the business entails. The aim is for the board to be composed of members of various ages and different genders and with a varied education and career background that together contribute to an independent and critically questioning board. The board considers diversity to be an important issue. However, the board of Swedol does not consider diversity on the board to be a board issue but a shareholder issue. In 2018, female representation on the board increased from 29 to 33 percent.

Chair of the board responsibilities

The chair of the board leads board work and monitors business activities in consultation with the CEO. The chair represents the company on issues of particular importance. The role entails responsibility to ensure board work is well organized, efficient, that the board fulfills its obligations, and that the board receives satisfactory information and decision-making support data. The chair is also responsible for new board members receiving the necessary induction training and that the board regularly updates and deepens its knowledge about the group.

Evaluation of the board and CEO

The board is to allocate time at board meetings for a regular evaluation of its work. Once a year, the board is to perform an exhaustive evaluation of its performance, areas of improvement, structures for its work and its composition. This is done by the board discussing a number of issues raised for this purpose concerning the work of the board. The board is also evaluated within the parameters of the work of the nomination

committee. The board evaluates the work of the CEO at least once a year.

Working models of the board

The board appoints the CEO. The division of responsibilities and powers of the board and CEO are set out in the rules of procedure of the board plus instructions to the CEO that are established annually. In addition, the board rules of procedure regulate financial reporting to the board and the board's responsibilities for formalized procedures that ensure that principles laid down for financial reporting and internal control are complied with and that the company's financial reporting is prepared in accordance with legislation, applicable accounting standards and other rules for listed companies.

The board has resolved that the board shall not have an audit committee or remuneration committee as the board, with reference to its size, competence and experience, has found it more appropriate to fulfill in their entirety, the duties that in accordance with the Companies Act and The Code, are incumbent on an audit and remuneration committee respectively.

Work done by the board during the year

Immediately after the AGM in June 2018, a constitutive board meeting was held where the board's rules of procedure and instructions to the CEO were established. In addition to this meeting, the board has held eight ordinary board meetings and four extraordinary board meetings. See page 26, Work done by the board in 2018, for further information on this.

CEO and group management

The CEO heads day to day operations in accordance with internal and external governance instruments. In consultation with the chair of the board, the CEO produces supporting data to enable the board to make well-founded decisions. The CEO is also responsible for regularly reporting to the board on the group's development and that the market is given a fair picture of the group.

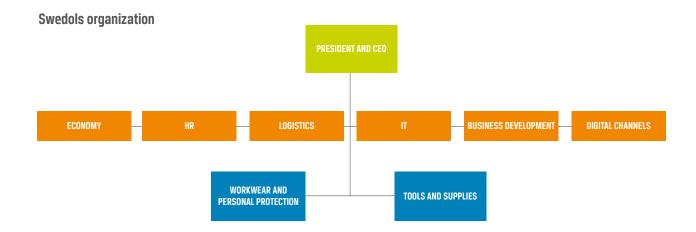
Effective 1 January 2018, group management consists of the CEO, two division managers plus six managers for business and staff office processes. Management coordinates strategies, business activities and resource allocation and sets out the directives, procedures and structures required for effective governance. Management holds regular meetings with the focus on strategy and operational development and monitors financial performance.

Auditors

The AGM appoints auditors each year. KPMG was elected new auditors to the end of the 2019 AGM. KPMG is represented by audit manager certified accountant Helena Arvidsson Älgne. For information on fees to auditors, see note 6.

Board composition and attendance

AGM elected board members	ted	Independent in relation to the company and company management	larger share-	15 Feb	20 Mar	18 Apr	24 Apr	15 Jun*	15 Jun	26 Jul	13 Sep	3 Oct	17 Oct	22 Oct	30 Oct	17 Dec
Lars Lindgren	2015 Chair 2017	Yes	No	~	~	v	~	~	v	~	~	~	~	V	v	~
Peter Hofvenstam	2015	Yes	No	~	~	~	~	/	~	~	/	~	~	V	~	~
Rolf Zetterberg	1984	Yes	No	~	~	~	~	_	_	_	_	_	_	_	_	_
John Zetterberg	1984	Yes	No	/	V	V	V		_			_		_	_	_
Christina Åqvist	2015	Yes	Yes	~	~	~	~	~	~	~	~	~	~	~	/	~
Leif Reinholdsson	2015	Yes	Yes	~	V	V	~	V	~	~	V	~	~	V	/	~
Sofie Löwenhielm	2017	Yes	Yes	~	V	V	~	V	~	~	V	~	~	V	/	~
Staffan Andersson	2018	Yes	Yes	_	_	_	_	/	V	/	/	/	V	V	V	~



Report on internal governance and control and risks related to financial reporting

The work Swedol does with risk management plus internal governance and control is based on the COSO Internal Control – Integrated Framework that was launched in 2013. The description also follows the quidelines stated in the Annual Accounts Act, The Code and FAR.

The COSO framework advocates internal governance and control in accordance with the following components: control environment, risk assessment, control activities, information and communication plus monitoring. The Swedol process for internal control has been structured to provide reasonable assurance that the group's targets can be achieved with regard to appropriate and efficient business activities, reliable reporting and compliance with applicable laws and regulations.

Control Environment

The control environment covers the culture and values that the board and group management communicate and act based upon. The control environment primarily covers integrity and ethical values, commitment to competence, management philosophy, organizational structure, responsibilities and powers. The values are reflected in internal governance documents such as policies, plans and manuals that provide structure for good internal control.

Internal governance instruments for financial reporting primarily consist of Swedol's finance policy, policy for stock market information, communication policy and accounts manual that defines accounting and reporting rules and procedures and minimum requirements for good internal control concerning financial reporting.

Effective governance work is the foundation of good internal control where the board has established rules of procedure and clear instructions for such work. Group management is responsible for implementing guidelines for the maintenance of good internal control.

The CFO has overall responsibility for accounting and reporting within the group and is responsible for this being done to applicable standards. In addition, the CFO is responsible for following standard setting and legislation and to implement new standards and interpretation comments. To ensure the accounts department has relevant competence, regular training is provided in areas such as accounting and tax legislation. Training needs are identified via regular development talks. Where necessary, external competence is commissioned to illuminate issues

such as within accounting, tax and internal control. For issues of a legal nature, the company seeks external legal advice. In the case of IT related risk, responsibilities and procedures are defined in an IT policy.

Risk Assessment

Risk assessment at Swedol seeks to identify and assess substantial risks that can affect the group's opportunities to achieve targets within the group's business areas, processes and companies. The risk assessment is updated on an ongoing basis under the leadership of the CFO who presents the results regularly. In the event of substantial changes in risk to the group, the respective main process owner presents measures. The assessed risks at year end are reported on pages 22–24.

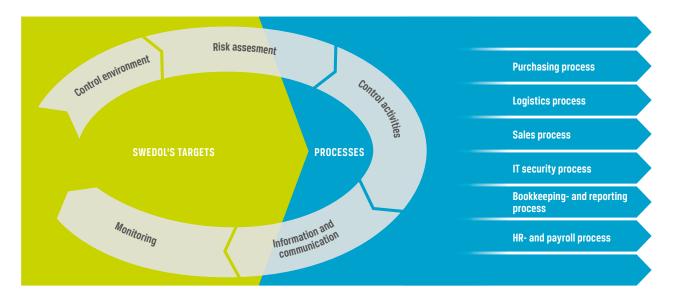
Control Activities

The most significant risks concerning financial reporting are managed via control activities for each respective main process. Control activities aim to ensure both efficiency in the group's processes and good internal governance and control. Swedol makes regular investments in the development of IT systems for the purpose of automating manual controls. Processes and control activities are continuously developed to meet changing demands on the business. An income statement and balance sheet item based analysis is performed at group level in combination with business emphasized risk analysis at group and main process level. Based on risk analyses, control activities are established for the risks that are considered to be the most likely and that would have the greatest impact on the respective main process.

Information and Communication

Swedol's overall internal governance documents in terms of policies, guidelines and manuals are kept updated and are available on common media. Swedol strives to ensure that information and communication paths between the different parts of the group are clear and readily accessible. External communication including financial reporting

Internal control within processes



is regulated by the Swedol policy for stock market information, which provides guidelines for what is to be communicated, by whom and how.

The CEO is responsible for distributing board guidelines across the organization. Internal communication is largely effected via group management and departmental meetings where important information is processed and via the intranet or mailouts. The CEO is also responsible for reporting to the board in line with the board rules of procedure and CEO instructions.

Monitoring

The board regularly receives updates on Swedol's financial reporting to monitor goal fulfillment and action plans implemented. Each interim report is analyzed by the board for correctness and the production of financial information. The board further ensures that recommendations from the external audit are implemented.

Each respective main process owner monitors their main process on an ongoing basis and is responsible for identified failings being rectified and improvement proposals implemented. Main process owners report identified failings and opportunities for improvement in internal control to the CFO, who thereafter reports to the CEO and board. The board checks that control activities are in place for selected risk areas and communicates significant issues to group management and auditor.

Activities 2018

Swedol's main activities within internal governance and control and risk management in 2018 are summarized below:

- Coordination of the group's business systems in Sweden
- Implementation of consolidation tools for the group
- Updated financial report to the board and management
- Structure for monthly Business reviews with each respective division where CEO and CFO participate

Implementation of a digital tool to simplify management of insider information

Focus 2019

In 2019, work on internal governance and control plus risk management are to be further developed within the group.

The focus areas are:

- Coordination of the group's business systems in Norway and Finland
- Updating and reviewing policies and manuals
- Further development of the group's group consolidation tools
- Continued implementation of the updated COSO framework from 2013
- Integration of acquired companies into Swedol's processes concerning work on internal governance and control plus risk management

Internal audit

The board has made the assessment that Swedol, in addition to existing processes and functions for internal governance and control, does not have a need for a formalized internal audit. Monitoring is performed by the board and group management and at present, the level of control is assessed as meeting the company's needs. An annual assessment is done as to whether or not an internal audit function is considered necessary to maintain good control within Swedol.

Tyresö 20 March 2019 The Board

Comments by the auditor on the corporate governance report is only disclosed in the Swedish version of the annual report 2018, see page 65.

The board



Lars Lindgren

Born: 1975.

Elected: Board member since 2015.

Education: LLB and MBA at University of Gothenburg **Other posts:** Investor, owner of a number of industrial,

trading and service companies.

Background: Senior Investment Manager at Nordstjernan 2012–2018, CEO of Nordstjernan Industriutveckling AB 2004–2012, previously held several positions within MTG and Mannheimer Swartling Advokatbyrå.

Shareholding: No shares.

Dependency relationship to larger shareholder. Independent in relation to the company and company management.



Peter Hofvenstam

Born: 1965.

Elected: Board member since 2015.

Education: MBA at Stockholm School of Economics Other posts: Deputy CEO of Nordstjernan since 2000. Board member of Rosti Group AB. Chair of Nordstjernan Kredit AB.

Background: Chair of Swedol AB, Ramirent Oyj, Exel Composites Oyj, Partner at E. Öhman J:or Fondkommission AB, CFO at AB Aritmos and analyst at Proventus AB.

Shareholding: No shares.

Dependency relationship to larger shareholder. Independent in relation to the company and company management.



Christina Åqvist

Born: 1978.

Elected: Board member since 2015.

Education: LLB from Uppsala University and econo-

nics studies

Other posts: Partner at Indequity with the focus on investments and operational development of traditional branches.

Background: Previous employment: CEO and Group President of of Distrelec Group AG, Head of Retail and Greenfield Expansion at B&B Tools, consultant with the Boston Consulting Group, corporate lawyer with focus on company acquisitions at Advokatfirman Vinge.

Shareholding: 6,760 B shares.

Independent in relation to the company, company management and larger shareholders.



Leif Reinholdsson

Born: 1953

Elected: Board member since 2015. Education: Certified market economist with additional studies in company management and board work.

Other posts: Runs consulting company LeiRei Business Development AB specialist area company management and board support. Board member of Sandryds Group AB and ACG Gruppen and their subsidiary companies.

Background: Chair of the board of Canvac AB, CEO and Group President 1997–2011 of Skydda Protecting People Europe AB, a company within the Bergman & Beving Group specializing in personal protective equipment, Chair of the boards of all Skydda subsidiary companies. Previous to that executive positions within Järnia AB/Ferro AB.

Shareholding: 13,000 B shares. Independent in relation to the company, company management and larger shareholders.



Sofie Löwenhielm

Born: 1981.

Elected: Board member since 2017.

Education: MBA at Stockholm School of Economics **Other posts:** Top Account Executive at Google Sverige

AB.

Background: CEO and co-founder of Dalani Scandinavia, Management consultant at Boston Consulting Group.

Shareholding: No shares. Independent in relation to the company, company mana-

gement and larger shareholders.



Staffan Andersson

Born: 1976

Elected: Board member since 2018.

Education: Civil engineering degree from Chalmers University of Technology and MBA from Harvard Business School.

Other posts: CEO of Beijer Tech AB.

Background: Senior Vice President Bain Capital, CEO Skydda PPE AB, Vice President and COO B&B Tools

Markets AB, Manager Bain & Company. **Shareholding:** No shares.

Independent in relation to the company, company management and larger shareholders.

Auditor: Accountants KPMG AB and certified accountant Helena Arvidsson Älgne.

Other assignments: Acando, AQ Group, FM Mattsson Mora Group, Knowit, Prevas.

Group management



Clein Johansson Ullenvik

Born: 1966. President and CEO. Employed since: 2013.

Education: MBA from Växjö University. Background: CEO Monier Roofing AB, executive

positions at ABB and Ahlsell.

Other posts: Chair Swedol Förvaltning AB, Swedol AS, Metaplan Oy, Grolls Oy, De facto Yrkeskläder AB and Promera Yrkeskläder AB.

Shareholding: 165,400 B shares and 74,681 B share



Irene Wisenborn Bellander

Born: 1973.

Chief Financial Officer. Employed since: 2017.

Background: CFO Bring Norden Logistics 2015-2017, CFO Bring Parcels & Express Group 2010-2015, Chief Controller Mekonomen 2007-2010, Business Area Controller Lantmännen 2006-2007, Certified Accountant PwC Deals 2000-2007, Manager Grant Thornton 1996-2000.

Other posts: Board member Swedol Förvaltning AB, Swedol AS, Metaplan Oy, Grolls Oy, De facto Yrkeskläder AB and Promera Yrkeskläder AB. Shareholding: 3,000 B shares.



Christina Larsson

Born: 1964.

Head of HR.

Employed since: 2011.

Background: Regional HR Manager ONOFF Sverige AB 2007-2011, Cabin Crew Manager, Ass. Senior Cabin Crew manager with. Britannia, GoodJet, Trans-Jet 1991-2003.

Shareholding: No shares



Håkan Wanselius

Born: 1962.

Head of Division Tools and Supplies.

Employed since: 2014.

Background: Country Manager Monier Roofing AB 2014, Sales Director Monier Roofing AB 2005–2014, Country Manager Snickers Original AB 2003-2005, Sales Manager Beckers Färg 1998-2003. Sales Manager Black & Decker AB 1992-1998.

Other posts: Board member of Swedol Förvaltning

Shareholding: 27,776 B shares and 12,477 B share



Magnus Landgård Lyckman

Head of Division Workwear and Personal

Protection.

Employed since: 2011.

Background: Retail Manager Swedol AB 2014-2018, Sales Manager Swedol 2011-2014, Sales Manager Ejendals AB 2008-2011, Sales Manager 2006-2008, Regional Manager och K Account Manager Fristads 2002-2006

Shareholding: 7,000 B shares



Peter Söderberg

Born: 1973.

Head of Business Development.

Employed since: 2016.

Background: Management consultant and partner Occam Associates AB 2002-2016, management consultant The Boston Consulting Group AB

1999-2002.

Shareholding: 20,000 B shares.



Pontus Glasberg

Born: 1978. Head of Logistics. Employed since: 2013.

Background: QES/VPS Manager Volvo Construction

Equipment AB 2010-2013,

Logistics/Materials Handling Manager Volvo Construction Equipment AB 2006-2010, Team Leader & Operations Manager Spendrups Bryggeri AB 2005-2006

Shareholding: 15,000 B shares.



Ulf Eriksson

Chief Information Officer.

Employed since: 2017.

Background: CIO Postnord Logistics TPL AB 2014-2016, CEO and Business Development Manager Olivetree Solutions AB 2009-2014, CIO Alcro-Beckers AB 1999-2009

Shareholding: No shares.



Erik Kahlin

Born: 1980.

Chief Digital Officer. Employed since: 2018.

Background: Venture Manager MTGx 2014-2017, Investment Manager Kinnevik 2011–2014, Business Development Manager Blocket 2008-2011.

Shareholding: 1,250 B shares.

Management report

The board and Chief Executive Officer (CEO) of Swedol AB (publ), company number 556127-6188 with registered address in Stockholm, hereby submit annual accounts and group annual accounts for the financial year 2018-01-01 to 2018-12-31. Where not otherwise stated, the information concerns the group. Information in brackets refers to the previous year. All amounts are stated in millions of Swedish kronor (MSEK) unless otherwise stated.

Offer and Market

Swedol is a retailing company that offers high quality products and services tailored to the needs and preferences of professional users. The group trades via its Swedol, Grolls, Univern and Nima stores and e-commerce concepts. Swedol interfaces with its customers via an omnichannel concept where stores, e-commerce and field sales interact and enable customers to access group offers based on their own personal needs and preferences. This omnichannel concept is complemented by a network of retailers.

The Swedol offer contains an attractive range within tools, suppliers, clothing and personal protection with the focus on five customer segments: Haulage and Transport, Industry and Workshops, Farming and Forestry, Building and Construction plus Public Services. The range combines breadth with specialization and contains both own label and external brands. There is also a broad product offer for private customers who want high quality.

The majority of sales come from Swedol and Grolls stores in Sweden that are geographically spread throughout the country. In 2018, 5 (0) new stores were added, including four via acquisition. Five store integrations were also completed during this time. At the end of the year, there were 99 (99) stores, 72 (76) in Sweden, 19 (18) in Norway, 7 (4) in Finland and 1 (1) in Estonia.

Swedol faces competition on a local, national and international scale in all its customer groups. The competition picture on Swedol's markets is consolidated to different degrees. The group's biggest markets, Sweden and Norway, have a higher degree of consolidation, while the markets in Finland and Estonia are more fragmented. The Group's competitors consist of industry and construction oriented chains, plus local independent companies. Swedol's competitors are primarily oriented to business customers.

Growth in 2018 remained good within all customer groups and geographic markets, but with a certain slowdown in Sweden. The market in Norway was boosted by increased activity in the Offshore Sector and the markets in Finland and Estonia grew strongly.

Significant events

Acquisitions and store establishments

Swedol intensified its acquisition work and completed five business combinations during the year. Two of these are based in Finland, which has strengthened the group's position in the country. For details of all acquisitions, see note 12. Eight leases were also signed in 2018 for new stores.

Coordination of logistics

The decision was taken to concentrate all logistics operation in Sweden to the current logistics center in Örebro. The aim of this initiative, that entails an investment of around MSEK 150 over two years, is to increase Swedol's total capacity and to make goods flow more efficient.

Scalable platform

During the year, work to create a scalable platform in Sweden in the form of a common IT and business system, common pricing system and a common legal structure, was completed. In Norway, the legal structure was simplified ahead of the implementation of the same structure for our Norwegian operations in 2019.

Nordstjernan majority shareholder

Nordstjernan became the majority shareholder in the company after entering into a share purchase agreement with AB Zelda and thereby acquiring the majority of the AB Zelda shareholding.

Sales and results

Sales amounted to MSEK 3,241.3 compared to MSEK 3,067.1 during the corresponding period last year, an increase of 5.7 %. Net sales per segment were MSEK 1,689.8 (1,613.8) for the segment Workwear and Personal Protection and MSEK 1,551.5 (1,453.3) for our Tools and Supplies segment.

Sales by sales area¹:

MSEK	2018	2017	Change
Sweden	2,584.9	2,527,.5	2.3 %
Norway	534.8	464.8	15.1 %
Finland	94.7	51.1	85.3 %
Estonia	26.9	23.7	13.2 %
Total	3.241.3	3.067.1	5.7 %

¹For information on sales by operating segment, see note 2.

The sales growth of 5.7 percent was as follows:

MSEK	Change local currency
Comparable units *	3.7 %
Other units in local currency	1.2 %
Foreign exchange gain/loss	0.8 %
Total	5.7 %

^{*} Here, comparable units are units that were open during the year for the whole of the period referred to, i.e. during both the current and previous year. Integrated stores are viewed as comparable units. Other units relate to all other sales that are not comparable.

Gross profit amounted to MSEK 1,324.2 (1,208.6) with a gross margin of 40.9 percent (39.4). Forward cover has had a positive effect on the gross margin alongside a favorable product mix and price adjustments implemented.

The proportion of operating costs, excluding non-recurring costs, of revenues increased by 0.6 percentage points, mainly as a consequence of growth initiatives implemented.

Depreciation and disposals for the year amounted to MSEK 62.1 (51.0).

Operating profit amounted to MSEK 325.3 (280.7) and operating margin was 10.0 percent (9.2), which includes non-recurring costs of MSEK 11.6 (10.8) for acquisitions, integration work and management changes. Excluding non-recurring costs, operating margin was 10.4 (9.5) percent. The improved profit can be attributed to volume growth, strengthened gross margins due in part to a higher proportion of own brands and higher other revenues.

Of operating profit, MSEK 271.7 (236.9) was attributable to Swedish operations and MSEK 37.9 (35.0) to Norwegian operations, while MSEK 15.7 (8.7) can be attributed to other countries. Operating profit per segment were MSEK 168.2 (147.0¹) for the segment Workwear and Personal Protection and MSEK 157.1 (133.7¹) for our Tools and Supplies segment. The parent company has paid a marketing contribution of MSEK 0.0 (19.3) to Swedol Norge AS during the year.

Spot prices for the most important currencies were on average 8.69 for USD, 10.26 for EUR and 1.07 for NOK compared to 8.54, 9.63 and 1.03 for the same period the previous year. Currency hedging was done in USD and EUR. The company's policy is to hedge 50 percent of the expected flow in 7–12 months and 75 percent of the expected flow in 0–6 months.

Financing and Liquidity

Cash flow from operating activities for the period January–December 2018, amounted to MSEK 264.5 (238.7). Cash flow from investment activities amounted to MSEK -178.8 (-46.7). The acquisition of Duunivaruste Oy was completed in the month of September, Metaplan Oy in November and Promera Yrkeskläder AB in December, which together affected cash flow for investment activities in the comparison period by MSEK -111.9. For details of the acquisition, see note 12.

A dividend of MSEK 74.9 (41.6) was paid in the second quarter.

Compared to the same time the previous year, inventories increased to MSEK 820.8 (690.7). The 12-month rolling average stock turnover ratio was 4.3 (4.2²) at the end of the period. We continue to give high priority to making our purchasing and logistics processes more efficient. The merger of the group's logistics services in Sweden to Örebro will contribute to this.

Cash and cash equivalents amounted to MSEK 234.1 (303.6). At the end of the reporting period, available cash and cash equivalents including an unutilized credit facility amounted to MSEK 534.1 (603.6). Interest-bearing liabilities totaled MSEK 545.6 (627.0). The group thus had an interest-bearing net liability of MSEK 311.1 (323.5). Liquidity in the current period has been affected by the dividend payment of MSEK 74.9 (41.6), and the paying down of bank debt by MSEK 80. At the end of the reporting period, equity ratio amounted to 49.6 percent (46.0) and is in line with the group target of 40 percent.

During the period January to December 2018, investments in non-current assets amounted to MSEK 66.9 (46.7). Of these, around MSEK 22 is attributable to IT investments including e-commerce. Other non-current asset investments were primarily attributable to store rela-

ted investments including the relocation and refurbishment of stores in line with the new store concept.

The shares and share capital

Swedol B shares are listed on the Nasdaq Stockholm and since 2 January 2018, have once again been on the Mid Cap list. Share capital amounts to MSEK 12.5 divided into 1,820,000 A shares and 81,380,000 B shares each with a quotient value of 0.15. Each class A share carries ten votes and each class B share one vote. There are no limitations on the number of votes each shareholder may exercise at a general meeting of shareholders. All shares have equal rights to dividends. Holders of class A shares can request conversion of their A shares to B shares. On 31 December 2018, the number of shareholders was 5,440 compared to 7,124 one year previously. The ten largest shareholders at that same time, accounted for 87.5 percent (76.0) of the capital and 89.6 (80.0) percent of the voting rights. See page 21 for a summary. Nordstjernan AB is the only shareholder with a holding whose total voting rights exceed one tenth of the votes for all shares in

On 14 March 2018, Nordstjernan AB entered into a Share Purchase Agreement with AB Zelda for the acquisition of a majority of the AB Zelda shares in Swedol. The agreement covered 18.9 percent of the outstanding shares and 27.5 percent of the voting rights in Swedol. On completion of the mandatory offer, Nordstjernan purchased an additional number of shares in December and at year-end, owned 55,720,542 shares in Swedol, consisting of 1,820,000 A shares and 53,925,800 B shares, corresponding to 67.0 percent of the outstanding shares and 72.4 percent of the voting rights in Swedol.

The articles of association do not contain any Right of First Refusal Clause or other restrictions on the transferability of shares. There is no mandate to the board from the AGM to resolve on the issuing of new shares or the buy back of shares. There are no circumstances of the kind that the board is liable to disclose in accordance with the regulations in Annual Accounts Act 6 chap 2a § p 4–11.

Employees

The average number of employees expressed as full-time equivalents, for the period January to December 2018, was 982 (945³), of which 352 (326³) were women. The number of employees, expressed as full-time equivalents, at the end of the year was 1,041 (947³). For more information on employees, see pages 18–19 and in notes 5 and 7.

Parent company

The group consists of the Parent Company Swedol AB and its wholly owned subsidiaries, Swedol Förvaltning AB (5567110068), Grolls Oy (1085452-8), Swedol AS (991 446 567), Metaplan Oy (0141269-9) and Promera Yrkeskläder AB (556725-6671). The group consists of seven Swedish and international subsidiary companies in total. 84 percent (86) of the group's net sales were generated by Swedol AB in the period January–December 2018. During the period, the Parent Company sold goods and services to group companies for a total of MSEK 109.1 (98.3). On 8 December 2017, wholly owned subsidiary

¹ The group applies a new monitoring procedure that better reflects the split betwee divisions. This has resulted in the comparison figures being recalculated.

² The group has adjusted the calculation for inventories via a transfer between other receivables and inventories such that inventory value no longer includes advance payments. This has resulted in the comparison figures being recalculated.

³ The calculation method for number of employees has been adjusted with effect from the third quarter 2018 inclusive. This has resulted in the comparison figures being recalculated. The change was made to better reflect the number of employees and number of hours worked within the group.

companies Björnkläder Intressenter AB (556812-4472), Grolls AB (556084-1784) and Falbygdens Skyddsprodukter AB (556646-3815) were merged into parent company Swedol AB. For further information, please see Note 28.

Seasonal variations

Sales have historically exhibited certain seasonal variations. In the 2018 calendar year, 48 percent (47) of invoicing was generated in the first half and 52 percent (53) in the second half of the year, with a heaviest weighting in the final quarter which accounted for 30 percent (30) of total revenue for the year.

Risks and uncertainties in the business

Swedol's business entails risks that to a varying degree in the short and long-term, can affect opportunities to achieve business plan related targets. The development of Swedol's risk management is continuously reviewed by regularly auditing the group's risk exposure. This ongoing work is pursued in a coordinated and systematic way to quickly clarify new risks, limit risk exposure and any possible impact in the event a risk were to crystallize. These risks can be divided into strategic, operational and finance-related risks. Strategic risks can mainly be traced to factors outside Swedol's own business and concern risks in the form of changes in strategic circumstances. Operational risks concern risks that primarily lie within Swedol's control and are related to daily operations such as delivery and range problems and failings in financial, social and environment related responsibilities. Finance-related risks can mainly be traced to factors outside Swedol's own business and concern risks in the form of changes in financial circumstances.

For more on Swedol's risk, see pages 22–24. For a description and quantification of financial risks, see pages 23–24 and note 16.

Future prospects and long-term financial targets

Swedol offers a broad and attractive range tailored to the needs and preferences of professional users. As a trade professional, choosing Swedol as your innovative partner, means you can source attractively priced products very efficiently. We focus on small and medium sized enterprises.

Swedol is a multispecialist, which means the group not only has a broad range spanning the majority of product categories but also offers specific specialization within selected product groups.

Swedol assesses that there continues to be significant growth potential for the group's omnichannel concept on existing markets and good potential on new markets as well. Sales via e-commerce are relatively limited at present but are expected to become an increasingly important sales channel in the future.

Swedol has a policy of not disclosing forecasts. Long-term financial targets should be viewed over an economic cycle; 15 percent revenue growth, 11 percent operating margin, 25 percent return on shareholders' equity and 40 percent equity ratio. The Swedol dividend should amount to 30–50 percent of the group's profit after tax. The equity ratio target will be revised in 2019 in the light of the introduction of IFRS 16.

Board work and corporate governance

The Swedol board has six members, elected at the 2018 AGM. The CEO is not a member of the board. The board has a strategic governance role and is responsible for executive management implementing decisions made by the board. The board has a control function and an information responsibility to ensure a correct picture of the company is

conveyed to the market. The board has established written rules of procedure and instructions for the division of duties between the board and CEO. Board meetings and work in association with these follow an agenda in order to assure the board's need for information and control of the business and the company's organization. The board has not appointed any internal committees.

The corporate governance report has been produced separately to the Management reports, see pages 25–29.

Product development

Swedol does not pursue research and development inhouse, but maintains a continuous dialog with suppliers to provide feedback from customers on requested product development.

Environment impact

Swedol is subject to the Annual Accounts Act requirement on sustainability reporting. The group has elected to present its sustainability report in line with the Global Reporting Initiatives GRI Standards (Core level). To identify material sustainability issues, Swedol has performed a materiality analysis. Long-term sustainability is an integral part of the Swedol business model and strategy. To reflect this, the sustainability report is separate to the management report, integrated in parts in the annual report activity report on pages 1–24. This report, together with sustainability notes and the GRI Index, comprises the group sustainability report. The risk analysis concerning sustainability issues is included in the combined risk section on pages

Sustainability reporting

Swedol is subject to the Annual Accounts Act requirement on sustainability reporting. The group has elected to present its sustainability report in line with the Global Reporting Initiatives GRI Standards (Core level). To identify material sustainability issues, Swedol has performed a materiality analysis. Long-term sustainability is an integral part of the Swedol business model and strategy. To reflect this, the sustainability report is separate to the management report, integrated in parts in the annual report activity report on pages 1–24. This report, together with sustainability notes and the GRI Index, comprises the group sustainability report. The risk analysis concerning sustainability issues is included in the combined risk section on pages 22–24.

Guidelines on remuneration to senior executives

The 2018 AGM resolved on remuneration to senior executives. Current guidelines for remuneration to senior executives will be proposed to the AGM for 2019.

The guidelines in full are presented below:

Here, senior executives mean the Chief Executive Officer, Deputy CEO and other executives in the company's management group. Remuneration to senior executives shall be competitive and market related and is to be based on the position, competence and performance of the individual executive.

Salarv

Remuneration consists of fixed salary, other benefits and defined contribution pension plan plus can additionally consist of variable compensation based on quantitative and qualitative targets, which can amount to a maximum of 40 percent of fixed salary (excluding social insurance costs).

Other benefits

Here, other benefits mean standard non-monetary benefits such as a company car and company healthcare.

Notice period and severance pay: In the event notice to terminate is made by the company, normally three to six months notice will apply and from the executive's side, three months notice, exceptionally up to six months. Severance pay ought not arise.

Mandate for the board to depart from the guidelines: Questions on remuneration to senior executives are to be addressed, prepared and resolved on by the board. The board shall have the right to deviate from the guidelines in individual cases if there are specific reasons for this.

Dividend

Financially, Swedol should have scope to continue to grow its business and have the means to take advantage of business opportunities. Expansion is to be made while maintaining financial strength for freedom of action. Against this background, the board has found that dividends ought normally amount to 30–50 percent of group profits after tax.

The board proposes that the Annual General Meeting should approve a dividend of SEK 1.20 (0.90) per share for the year. The total dividend would therefore amount to MSEK 99.8 (74.9) This proposed dividend amounts to 39.6 percent of the company's net profit. The present capital structure and profitability are assessed to provide adequate scope for the proposed dividend with regard to the requirements and opportunities that the nature, scale and risks of the business impose on parent company and group shareholders' equity and liquidity. Total funds available for dividends in the parent company amount to MSEK 947.0 (883.2) and the group has an equity ratio of 49.6 percent (46.0). At the end of the year, available cash and cash equivalents including an unutilized credit facility amounted to MSEK 534.1 (603.6).

Proposal for disposal of profit

The following funds are at the disposal of the AGM:

SEK

Total	947,007,387
Profit for the year	139,199,708
Retained earnings	807,807,679

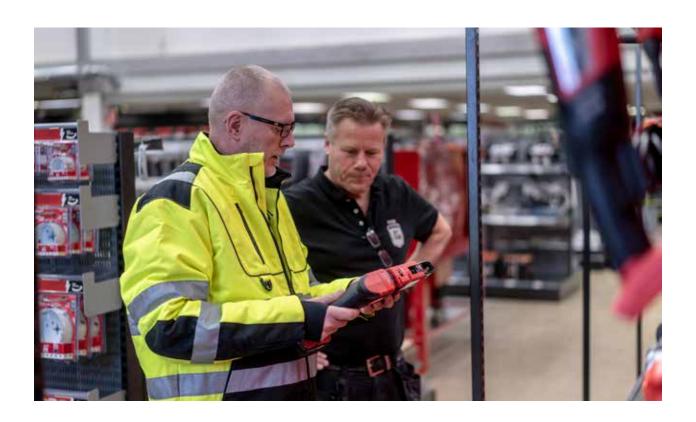
The board and CEO propose that the available funds of SEK 947,007,387 be disposed as follows:

SEK

~=	
Dividend to shareholders	
SEK 1.20 per share	99,840,000
Carried forward to new account	847,167,387
Total	947.007.387

With reference to the above and what has otherwise come to the attention of the board, the board is of the following view: A comprehensive assessment of the financial position of the parent company and group indicates the the dividend is justified with reference to requirements that the nature of the business, scale and risks place on parent company and group shareholders' equity and liquidity. Swedol's strategy aims to create good growth in value via organic growth and acquisitions.

In 2018, the parent company has made group contributions of MSEK 0.0 (0.0). With regard to the group's equity ratio, this amounts to 49.6 percent (46.0) before the dividend and 47.5 percent (44.2) after the dividend. This is assessed as being adequate equity ratio even when taking into account future development. With regard to the company's profit and position in general, please see the income statements and balance sheets with associated comments further below.



Financial reports

Group statement of total comprehensive income

MSEK	Note	2018	2017
Revenue	2, 8	3,241.3	3,067.1
Cost of goods sold	5, 8, 9	-1,917.1	-1,858.5
Gross profit		1,324.2	1,208.6
Other revenue	3	20.9	8.5
Sales costs	5, 7, 9	-902.9	-825.4
Administration costs	5, 6, 7, 9	-116.9	-110.9
Other costs	4, 5	-	-
Operating profit		325.3	280.7
Financial income	10	4.0	4.9
Financial costs	10	-12.0	-15.4
Profit/loss from financial items		-8.0	-10.6
Profit/loss before tax		317.3	270.1
Income tax	11	-65.0	-62.9
Profit/loss for the year		252.3	207.2
Other comprehensive income for the year:			
Posts that can come to be reclassified onto the income statement:			
Translation differences on foreign business		-1.2	-5.3
Cash flow hedges	16	-1.5	-9.6
Deferred tax related to cash flow hedges		0.3	2.1
Items that will not be reclassified to income statement:		-	-
Other comprehensive income for the year, net after tax		-2.4	-12.8
Total comprehensive income for the period		249.9	194.4
Earnings per share, before and after dilution (SEK)		3.03	2.49
Number of shares at the end of the year	21 21	83,200,000	83,200,000
Average number of shares at the end of the year, before and after dilution	83,200,000	83,200,000	

Group statement of financial position

MSEK Note	2018-12-31	2017-12-31
Assets		
Non current assets		
Intangible assets		
Goodwill 12,13	363.8	292.1
Brands 12,13	246.7	246.7
Customer relations 12,13	91.7	68.4
Other 12,13	42.4	29.3
Total intangible asets	744.6	636.5
Tangible non current assets		
Property, plant & equipment 14	118.9	116.0
Inventories 14	135.7	137.3
Total tangible non current assets	254.6	253.3
Providence and control		
Financial non current assets		
Deferred tax receivables¹ 11	4.3	9.0
Total financial non current assets	4.3	9.0
Total non current assets	1,003.5	898.8
Current assets		
Inventory 19	820.8	690.72
Current receivables 17, 18		316.5
Current tax receivables 11	0.1	24.9
Derivative instruments 16,17	1.6	1.9
Prepaid expenses and accrued income 20		113.62
Cash and cash equivalents 16, 17, 25		303.6
Total current assets	1,529.5	1,451.2
Total assets	2,533.0	2,350.0
	,	,
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity (attributable to parent company shareholders)		
Share capital 21	12.5	12.5
Other contributed capital	340.6	340.6
Reserves	-18.2	-16.3
Retained earnings	920.6	743.2
Total shareholders' equity	1,255.5	1,080.0
Non current liabilities		
Non current interest-bearing liabilities 17, 22		543.5
Deferred tax liabilities 111		136.2
Total non current liabilities	611.4	679.8
Current liabilites		
Accounts payable 16, 17, 23	311.4	255.5
Current interest-bearing liabilities 16, 17, 22		83.5
Other current non-interest bearing liabilities 17, 23		79.2
Derivative instruments 16,17		2.7
Accrued expenses and prepaid income 24		105.5
Current tax liabilities	48.0	63.7
Total non current liabilities	666.2	590.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,533.0	2,350.0
TOTAL SHAREHOLDERS EQUIT AND EMBELLIES	2,333.0	2,350.0

¹ Revaluation has been made as a consequence of the decision to lower the corporate tax in Sweden.
² The Group has adjusted the calculation method of the inventory through a transfer between other receivables and inventory so that inventory no longer includes prepayments. This has led to the comparison figures being recalculated.



Group statement of changes in shareholders' equity

MSEK	Note	Share capital	Other contri- buted capital	Retained ear- nings including profit/loss for the year	Reserves	Shareholders' equity
Shareholders' equity 1 januari 2017		12.5	340.6	577.6	-0.5	930.2
Comprehensive income						-
Total profit for the year				207.2		207.2
Other comprehensive income						-
Translation differences on foreign business					-8.3	-8.3
Cash flow hedges after tax					-7.5	-7.5
Transactions with owners						-
Dividend				-41.6		-41.6
Shareholders' equity 31 december 2017	21	12.5	340.6	743.2	-16.3	1,080.0
Shareholders' equity 1 januari 2018		12.5	340.6	743.2	-16.3	1,080.0
Comprehensive income						-
Total profit for the year				252.3		252.3
Other comprehensive income						-
Translation differences on foreign business					-0.7	-0.7
Cash flow hedges after tax					-1.1	-1.1
Transactions with owners						-
Dividend				-74.9		-74.9
Shareholders' equity 31 december 2018	21	12.5	340.6	920.6	-18.2	1,255.5

Group statement of cash flow

MSEK	Note	2018	2017
OPERATING ACTIVITIES			
Profit before tax		317.3	270.1
Adjustment for items not included in cash flow	25	59.9	38.3
Change in operating capital			
Change in inventories		-101.2	-26.41
Change in receivables	18	-20.2	-14.6¹
Change in liabilities		66.1	15.2
Cash flow from operations		321.9	282.6
Net interest		-9.8	-13.3
Tax paid		-47.6	-30.6
Cash flow from operating activities		264.5	238.7
INVESTMENT ACTIVITES			
Investments in intangible assets	13	-30.2	-24.0
Acquisition of subsidiaries	12	-111.9	-
Acquisition of other non current assets	13, 14, 25	-36.7	-22.7
Cash flow from investment activities		-178.8	-46.7
FINANCING ACTIVITIES			
Received loans	22	-0.3	3.2
Repayment of loans		-80.0	-80.0
Dividend paid		-74.9	-41.6
Cash flow from financing activities	·	-155.2	-118.4
Cash flow for the year		-69.5	73.6
Cash and cash equivalents at start of the year	25	303.6	230.0
Cash and cash equivalents at start of the year	25	234.1	303.6

¹ The Group has adjusted the calculation method of the inventory through a transfer between other receivables and inventory so that inventory no longer includes prepayments. This has led to the comparison figures being recalculated.

Parent company income statement

MSEK	Not	2018	2017
Net sales	2, 8	2,717.3	2,645.1
Cost of goods sold	5, 8, 9	-1,626.4	-1,631.5
Gross profit		1,090.9	1,013.7
Sales costs	5, 7, 9	-776.2	-679.8
Administration costs	5, 6, 7, 9	-92.5	-89.7
Other operating income	3	20.5	10.3
Other operating costs	4, 5	0.0	-19.3
Operating profit		242.7	235.2
Other interest income and similar income	8, 10	14.3	8.5
Interest expenses and similar costs	10	-19.6	-16.5
Profit/loss after financial items		237.3	227.2
Appropriations	11	-56.4	-27.7
Profit before tax		180.9	199.5
Tax on profit for the year	11	-41.7	-46.2
Profit/loss for the year		139.2	153.3

Statement of comprehensive income parent company

MSEK	Note	2018	2017
Profit/loss for the year	'	139.2	153.3
Posts that can come to be reclassified onto the income statement:			
Cash flow hedges	16	-1.5	-9.6
Deferred tax related to cash flow hedges	0.3	2.1	
Items that will not be reclassified to income statement	-	-	
Other comprehensive income for the period, net after tax			-7.5
Total comprehensive income for the period			145.8

Parent company balance sheet in summary

MSEK	Not	2018-12-31	2017-12-31
Assets			
Non current assets			
Intangible non current assets			
Goodwill	12, 13	168.5	188.3
Brands	12, 13	145.7	162.0
Customer relations	12, 13	39.9	45.3
Other	12, 13	42.0	29.1
Total intangible non current assets	12, 10	396.1	424.7
Total intaligible from current assets		550.1	724.7
Tangible non current assets			
Propert, plant & equipment	14	27.2	27.9
Inventories	14	114.7	114.3
Total tangible non current assets		141.9	142.2
Financial non august coasts			
Financial non current assets	45	400 F	000.1
Shares in group companies	15	436.5	333.1
Receivables in group companies	8	144.0	121.1
Deferred tax receivables ¹	11	2.4	2.9
Total financial non current assets		582.8	457.1
Total non current assets		1,120.8	1,024.0
Current assets			
Inventories			
	10	605.0	ECO 4
Finished goods and merchandise	19	635.3	568.4
Prepayments to suppliers	19	36.1	13.0
Total inventories		671.4	581.4
Current receivables			
Account receivables	8, 17, 18	285.7	281.6
Current tax receivables		0.0	24.9
Prepaid expenses and accrued income	20	98.6	81.6
Derivative instruments	16, 17	0.9	1.6
Total current receivables	<u> </u>	385.2	389.7
Cash and bank	16 17 05	210.0	207.6
	16, 17, 25	210.9	297.6
Total current assets		1,267.5	1,268.7
Total assets		2,388.3	2,292.7
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital		12.5	12.5
Reserve fund		3.2	3.2
Total restricted shareholders' equity		15.7	15.7
Unrestricted equity			
Share premium		303.0	303.0
Fair value fund		-0.7	-0.2
Balanced profits	28	505.5	427.1
Profit for the year		139.2	153.3
Total unrestricted equity		947.0	883.2
Total shareholders' equity	,	962.7	898.9
Untaxed reserves	11	351.4	295.0
Non current liabilites			
Debt to credit institutions	22	465.5	543.5
Deferred tax liabilities ¹	11	39.4	47.0
Total non current liabilities		504.9	590.5
		555	223.0
Current liabilities			
Debt to credit institutions	16, 17, 22	80.0	83.5
Accounts payable	8, 16, 17	277.3	220.2
Current tax liabilities		40.4	55.6
Derivative instruments	16, 17	3.5	2.7
Accrued expenses and prepaid income	24	117.6	86.7
Other liabilities	23	50.5	59.6
Total current liabilities		569.3	508.4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,388.3	2,292.7

¹ Revaluation has been made as a consequence of the decision to lower the corporate tax in Sweden.

Parent company statement of changes in shareholders' equity

	Restricted shareholders' equity			Unrestricte	Unrestricted shareholders' equity			
MSEK	Note	Share capital	Reserve fund	Premium fund	Fair value fund	Balanced result	Profit for the year	Shareholders' equity
Shareholders' equity 1 januari 2017		12.5	3.2	303.0	5.7	309.0	86.0	719.4
Dividend						-41.6		-41.6
Transferred on new account						86.0	-86.0	-
Translation difference on foreign operation	ns				-0.1			-0.1
Cash flow hedges after tax					-5.8			-5.8
Fusion results						73.7		73.7
Profit for the year							153.3	153.3
Shareholders' equity 31 december 2017	21	12.5	3.2	303.0	-0.2	427.1	153.3	898.9
Shareholders' equity 1 januari 2018		12.5	3.2	303.0	-0.2	427.1	153.3	898.9
Dividend						-74.9		-74.9
Transferred on new account						153.3	-153.3	-
Translation difference on foreign operations					0.7			0.7
Cash flow hedges after tax					-1.2			-1.2
Profit for the year							139.2	139.2
Shareholders' equity 31 december 2018	21	12.5	3.2	303.0	-0.7	505.5	139.2	962.7

Parent company statement of cash flow

MSEK	Note	2018	2017
OPERATING ACTIVITIES			
Profit before tax		237.4	227.2
Adjustment for items not included in cash flow	25	82.4	-17.6
Change in operating capital			
Change in inventories		-90.0	-9.2
Change in receivables		-15.1	-12.2
Change in liabilities		81.5	9.8
Cash flow from operations		296.2	198.0
Interest received		3.7	-
Interest paid		-9.8	-13.0
Tax paid		-39.1	-16.4
Cash flow from operating activities		251.0	168.6
INVESTMENT ACTIVITIES			
Investments in subsidiaries	12	-102.6	-
Lending to subsidiaries		-22.9	-
Investments in intangible assets	13	-25.5	-13.2
Acquisition of other non current assets	12, 13, 24	-31.6	-26.1
Cash flow from investment activities		-182.6	-39.3
FINANCING ACTIVITIES			
Acquired liquid funds for merger		-	91.9
Received loans		-	1.2
Repayment of loans		-80.2	-78.8
Dividend paid		-74.9	-41.6
Cash flow from financing activities		-155.1	-27.3
Cash flow for the year		-86.7	102.0
Cash and cash equivalents at start of the year	25	297.6	195.6
Cash and cash equivalents at end of the year	25	210.9	297.6

Sustainability notes

ABOUT THE SUSTAINABILITY REPORT

Sustainability is an integral part of the Swedol business model and strategy. To reflect this, Swedol publishes an annual activity report with an integrated sustainability report. This report, together with the following sustainability notes comprises the group's sustainability report.

In addition to an introductory description of the group's sustainability governance, stakeholder dialog and materiality analysis, the sustainability notes contain further information concerning product evaluation based on health and safety, carbon dioxide emissions and transport, monitoring of suppliers, employees and work on sustainable choices for customers.

The sustainability report covers Swedol AB (publ), co. no. 556127-6188 and all subsidiary companies in the group and has been produced in accordance with the regulations in the Annual Accounts Act (6 chap. 10 §) and the Global Reporting Initiatives Standards for Sustainability Reporting (2016) at applicable level Core. A complete GRI Index follows on pages 46–47. This provides an overview of general information and specific information that Swedol has elected to report, with reference to where in the report this information can be found. In certain areas, data collection and certain work remain outstanding to be able to report in full. Swedol is continuously working to further develop its sustainability work and the report itself.

>> A complete GRI Index is also available at www.swedol.com/hallbarhet/certifikat-policys-och-redovisningar/

The previous year's sustainability report was published on 21 March 2018. No material changes have occurred in the organization or supplier chain in 2018 that has affected the reporting of metrics. The changes that have been implemented in the reporting of subject specific information in the GRI Index are due to the replacement of certain disclosures in order to better reflect information on Swedol products and services. The report has not been audited by an external party.

As signatories to the 10 UN Global Compact Principles within human rights, labor, environment and anti-corruption, the sustainability report also comprises Swedol's report on improvements (Communication on Progress).

SUSTAINABILITY GOVERNANCE

The Swedol board has ultimate responsibility for the group's overall sustainability work and the management group sets out the group's positions in policies concerning quality and environment work, occupational health and safety and purchasing, plus the group wide code of conduct. Group management regularly monitors group wide sustainability work but strategic and operational responsi-

bility for sustainability issues resides with each respective operations manager and the Quality and Sustainability Department that coordinates this work.

The group wide code of conduct that applies to members of the board, all employees and contracted personnel guides how they are expected to act with regard to business ethics, consideration for colleagues, customers and the environment. Each business unit, support function and subsidiary company is responsible for implementing the code of conduct in their business operations. Via a whistleblowing program, Swedol employees and business partners are encouraged to report breaches of the code of conduct that can seriously damage Swedol as a business or its employees. Reporting can be done anonymously to a third party and any person reporting such incidents will not be subject to any reprisals or other negative consequences. The Swedol code of conduct includes instructions on what employees should do in order to report suspected breaches within the organization.

The group is also a member of the global amfori Business Social Compliance Initiative (amfori BSCI) that works to ensure responsible supplier chains. Via membership, Swedol is part of a multi industry network with companies that work together to simplify monitoring and the development of social and environment issues in the supplier chain, in accordance with the common amorfi BSCI code of conduct. In practice, this means, for example, that Swedol can access evaluations made by other companies on supplier visits, which makes for greater control and transparency in the supplier chain.

In addition to the above named tools, Swedol's work is also based on management systems for quality and the environment. Swedol AB is certified to ISO 9001:2015 and ISO 14001:2015. These management systems ensure that business activities are pursued in accordance with specific procedures and provide support for employees in their daily work. The systems contribute to increasing customer and stakeholder benefits and to reduce the group's environment impact.

In 2018, Swedol completed a review of its business in relation to the UN's Sustainable Development Goals (SDGs). This review was based on a model developed by GRI, the Global Compact and World Business Council for Sustainable Development (WBCSD) that looks to identify business synergies between business strategies and the realization of the UN's SDGs. In 2019, the group's strategic goals and material sustainability issues will be coordinated with the aim of identifying where in our business there are concrete opportunities to further contribute to a positive development in line with the UN's SDGs.

>>> The policies and code of conduct are also available at www.swedol. com/hallbarhet/certifikat-policys-och-redovisningar/



STAKEHOLDER DIALOG AND OCH MATERIALITY ANALYSIS

Swedol maintains an open dialog with its stakeholders. Being attentive to the expectations of the outside world and stakeholders is a key part of efforts to continue to develop and improve sustainability work. Swedol's most important stakeholders are those groups that are affected by and/or affect the group's business activities to the greatest extent and have been identified as customers, employees, shareholders, unions, society and suppliers. Together with Swedol's own assessment of important sustainability aspects based on the impact our activities have on the economy, social conditions and the environment, this stakeholder dialog forms the basis for the materiality analysis that has been performed to identify material issues within the group's sustainability work.

Swedol's most recent materiality analysis was completed in 2017, but is validated annually via new stakeholder dialogs and risk analyses. In 2018, dialogs were held with new board members, employees and customers. The new board members were interviewed and questions about Swedol's sustainability work were asked in association with the employee survey and CSI survey. The previous materiality analysis has been able to be validated via structured stakeholder dialogs and an analysis of external factors, risks and opportunities. These important sustainability issues are duly noted by the board and form the basis for the content of the sustainability report.

>> Material sustainability issues for Swedol are presented on page 4

Swedol's stakeholders and channels for dialog

	Channels for dialog	Most important sustainability issues for stakeholders
CUSTOMERS	 Daily contact in stores, via field salespersons and orders department Procurement Annual CSI surveys 	Customer Service Attractive employer Product liability Diversity and equal opportunities Working conditions/human rights in the supplier chain
EMPLOYEES	Appraisal talks and personal meetings Employee survey Training	Customer Service Product liability Logistics optimization Support customers in reducing their own environment impact Leadership Training and skills Occupational Health & Safety Diversity and equal opportunities Anti-corruption
SHAREHOLDERS/INVESTORS	Shareholder policy and articles of association Regular reporting and board meetings Regular contact with analysts and investors	Profitability and growth Attractive employer Product liability via quality and safety Chemicals Logistics optimization Diversity and equal opportunities Working conditions/human rights in the supplier chain
UNIONS	Regular meetings with the two unions (Swedol in Sweden) Regular meetings with the Workplace Environment Committee (Swedol in Norway) Site visits by local representatives	Attractive employer Leadership Training and skills Occupational Health & Safety Diversity and equal opportunities
SOCIETY	 Membership of sector organizations Contact with public authorities Business intelligence 	Product liability Chemicals Logistics optimization Support customers in reducing their own environment impact Diversity and equal opportunities Working conditions/human rights in the supplier chain Anti-corruption
SUPPLIERS	 Supplier meetings Daily contact via purchasers Trade fairs and business travel Product training 	 Product liability via quality and safety Logistics optimization Working conditions/human rights in the supplier chain Anti-corruption

H1 EVAULATION OF PRODUCTS BASED ON HEALTH AND SAFETY AND CHEMICAL CONTENT

The general goal for both Swedol divisions is to avoid any deviations in quality and safety or chemical content linked to products.

This general goal is assured within the Workwear and Personal Protection Division via comprehensive and systematic work with OEKO-TEX®. The long-term goal for our own label products is for all new materials to be certified to OEKO-TEX®. The division takes a structured approach to product development, a restrictions list for chemicals and external quality control to ensure products of high quality made from the right materials. Six of the division's products were stopped during the year, including one following an inspection by the Swedish Work Environment Authority, the others due to quality failings.

Within the Tools and Supplies Division, Swedol works systematically with quality requirements, product testing and certification to ensure compliance and that quality and safety targets are met, plus for chemical content. Three of the division's products were stopped during the year, including one following an inspection by the Swedish Chemicals Agency and two due to quality failings. A total of 39 chemical checks on products were performed in 2018. Of these, five products contained more than 0.1 percent by weight of substances on the candidate chemicals list, and therefore Swedol will notify its customers of this in accordance with Article 33.1 of the Reach Regulation.

H2 SUPPLIER MONITORING

During the course of the year, Swedol revised its purchasing policy with the aim of creating groupwide parameters for both divisions. The overall goal is for all group suppliers to be compliant with amfori BCSI or a corresponding third party audit.

In the case of our Workwear and Personal Protection Division, monitoring is performed in accordance with the amfori BSCI code of conduct. Within the parameters for membership in this network, 19 suppliers have been audited by a third party, where eight of these audits were initiated by Swedol. The division has also performed 190 supplier visits.

Deviations from the amfori BSCI code of conduct that were identified during supplier visits, concern structured occupational health and safety work, overtime payments and working hours. In dialog with suppliers, the importance of health and safety is always carefully emphasized and deviations are usually rectified immediately by the supplier. Applicable overtime payments and working hours are a fundamental requirement to ensure workers have enough time for rest and recovery. Deviations are addressed sharply and clear follow-up plans including actions have been established and are checked.

In addition, in 2018, Swedol has performed a total of 70 supplier visits within the framework of monitoring work, for our Tools and Supplies Division. Identified deviations from the code of conduct for suppliers concern working terms and conditions. Swedol has taken action by establishing a dialog with the suppliers concerned and requested further information.

Suppliers for goods purchases

	Nordics =	Europe	Asia 🛑
Number of significant suppliers	58	16	21
Number of significant suppliers Workwear and Personal Protection	60 %	18 %	22 %
Number of significant suppliers Tools and Supplies	69 %	8 %	23 %
Number of completed supplier visits	123	21	46

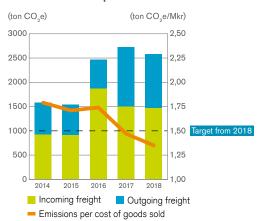
H3 CARBON DIOXIDE EMISSIONS FROM TRANSPORT

In 2018, Swedol set a specific goal to reduce carbon dioxide emissions per cost of goods sold at a maximum of 1.5 ton CO₂e/MSEK cost of goods sold. The actual figure was 1.35 CO₂e/MSEK, which meant the target was achieved for 2018

The total amount of carbon dioxide emissions caused by transport in 2018 was 2,582 ton CO₂e which was a total reduction from 2017 of 143 ton CO₂e. The group's switch to rail transport in 2019 is expected to reduce the group's environment impact from air and sea freight, which was not the case in 2018.

Swedol's transport suppliers register and report carbon dioxide emissions for all transport. For goods inward by sea, rail and road, the calculations are based on the European standard EN 16258 (2012) and include the entire transport chain. Goods inward and outward by road include several transport suppliers, which is why some emissions are calculated in accordance with EN 16258 (2012) and others are estimated based on the transport route and fuel type. One transport supplier has not been able to report emission factors and therefore 118.7 ton of outward bound road transport only includes emissions of carbon dioxide (CO_2).

Transports



Carbon dioxide emissions

Ton CO2 equivalents, transport	2018	2017	2016*
Goods inward sea, air and rail freight	1,333	1,259	1,693
of which goods inward by sea	715	735	-
of which goods inward by air	615	516	-
of which goods inward by rail	3	8	-
Goods inward by road	132	242	175
Goods outward by road	1,116	1,224	604
Transport total	2,581	2,725	2,472

^{*} Grolls carbon dioxide emissions are included from the time of acquisition in June 2016. Grolls did not obtain a breakdown of goods inward transport and it is therefore not possible to report this for 2016.

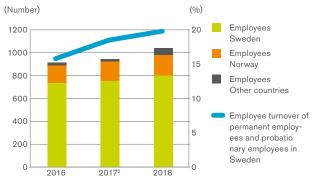
H4 EMPLOYEES

The following note clarifies the results of work done by Swedol on employee related issues. Together, our employees create a strong corporate culture and Swedol takes a systematic approach to providing ways of working, tools and procedures that are required to be an attractive employer.

Number of employees and employee turnover

At the end of 2018, Swedol had a total of 1,0141 (947¹) employees in Sweden, Norway, Finland and Estonia. Employee turnover for Swedol in Sweden rose in 2018 to 19.8 percent compared to 18.5 percent in 2017. During the year, 150 new employees joined Swedol in Sweden. The number of new employees at Swedol in Norway is unavailable.

Number of employees and employee turnover

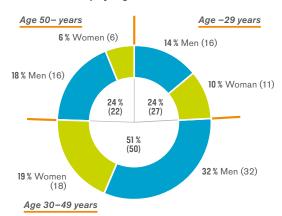


- ¹ The calculation method for number of employees has been adjusted with effect from the third quarter 2018 inclusive. This has resulted in the comparison figures being recalculated. The change was made to better reflect the number of employees and number of hours worked within the group.
- ² The statistics refer to the number of employees expressed as full-time equivalents.

Employee gender balance

The gender and age balance for employees is shown in the pie chart below, with comparison figures for 2017 in brackets.

Employee gender balance



Work-related injuries

To promote employee health and well-being and prevent accidents, Swedol laid the foundations for a coherent structure and systematic occupational health and safety work in 2018.

The biggest physical health and safety risks for Swedol employees are linked to the group's logistics centers. In 2018, 52 incidents were reported at the center in Örebro, of which four resulted in sick leave. These incidents were mostly

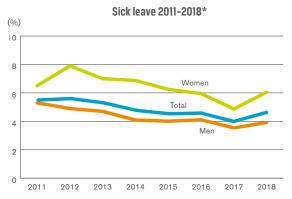
caused by cut and crush injuries resulting in soft tissue damage and sprains. The number of incident reports and level of detail has been sharpened in 2018.

In the case of other operations in Sweden, which includes stores and offices, twelve incidents were reported in 2018, none of which resulted in sick leave. Accidents resulted in cuts, sprains and other physical injuries in association with road traffic accidents, lifting work and operating machinery.

A total of 64 incidents were reported at Swedol, compared to 48 in 2017. The goal for the whole group and for 2019 is to increase the number of reports of near accidents and to reduce the number of accidents.

Sick leave

Swedol continuously monitors employee sick leave. In 2018, sick leave rose from a total of 3.00 percent for 2017 to 4.63 percent. Sick leave for women increased from 4.87 percent to 6.05 percent and for men from 3.54 percent to 3.92 percent. Statistics for Univern in Swedol Norway are included from 1 January 2018.



* The statistics refers to Sweden until 2017 but includes Norway from 2018.

Employee Net Promotor Score, eNPS

Swedol measures employer attractiveness by using Employee Net Promotor Score (eNPS). The table below shows the eNPS results for the years 2016-2018 and the target level, which corresponds to the benchmark for the entire retailing sector. The investments in leadership in recent years has enabled Swedol to approach its target level. eNPS is measured on a scale of -100 to +100.

Employee Net Promotor Score (eNPS)

eNPS	2018	2017	2016
Outcome	+13	+19	+11
Target (benchmark retail)	+14	+22	+23

H5 SUPPORT CUSTOMERS TO MAKE SUSTAINABLE CHOICES

Within the framework of the responsibility and opportunities Swedol's sustainability work offers, the group has identified the importance of supporting customers to make sustainable choices. This issue is included in the significant sustainability issue of "Support Customers to make sustainable choices" and our strategic goals. The goal for 2019 is to define a way of working with this issue and a possible way of monitoring this. Examples of activities that can be included are the work Swedol is doing with OEKO-TEX® certification, clarifying the environment impact of products on the e-commerce platform and offering customers a choice of delivery options.

GRI Index 2018

The 2018 Annual Report has been produced in line with the Global Reporting Initiatives Standards for Sustainability Reporting (2016) at applicability level Core. Read more about GRI at www.globalreporting.org.

General disclosures

GRI STANDARD	DISCLOSURE	REFERENCE	COMMENTS
diti o i Alibaito	ORGANIZATION PROFILE	KETEKENOE	OUMMENTO.
102-1	Name of the organization	Front cover	
102-1	Business model, most important brands, products and/or services	p. 6, 10, 12–14	
102-3	Location of headquarters	Back cover	
102-4	Location of operation(s)	p. 9	
102-5	Ownership and legal form	p. 20–21	
		·	
102-6 102-7	Markets served	p. 8 p. 1	
102-7	Scale of the organization Information on employees and other workers, by employment contract, employment	· · ·	The number of employees, expressed as
102-6	terms, regions and gender	114	full-time equivalents, at the end of the year was 1,041
102-9	Description of the organization's supplier chain	p. 16-17	
102-10	Material changes for the organization and its supplier chain during the reporting period		No material changes
102-11	Description of whether and how the organization follows the precautionary principle	p. 12, 15, 23, H1	
102-12	Externally developed economic, environmental and social declarations, principles or other initiatives that the organization has signed up to or supports.	p. 12, 42	
102-13	Significant membership of organizations and/or national/international lobby organizations	p. 42	Swedol is a member of Svensk Handel, the Svenska HR network and Hovedorganisatio- nen virke in Norway.
	STRATEGY		
102-14	Statement from the CEO	p. 2-3	
	ETHICS AND INTEGRITY		
102-16	Description of the organization's values, ethical principles and rules for conduct	p. 19, 42	
	GOVERNANCE	1: -7	
102-18	Presentation of the organization's corporate governance	p. 25-31, 42	
.02 .0	STAKEHOLDER ENGAGEMENT	p. 20 0., .2	
102-40		n 10	
102-40	Stakeholder groups the organization has contact with	p. 43	All ampleyees in Sweden are severed by
102-41	Proportion of workforce that is covered by collective agreements		All employees in Sweden are covered by collective agreements
102-42	Identifying and selecting stakeholders	p. 43	
102-43	Approach to stakeholder engagement	p. 43	
102-44	Key topics and concerns raised in stakeholder dialogs	p. 43	
	REPORTING PRACTICE		
102-45	Entities included in the organization's financial statements		All entities included
102-46	Defining report content and topic boundaries	p. 4, 42	
102-47	A list of the material topic areas identified in the process for defining report content	p. 4, 43	
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements.	p. 42	
102-49	Material changes made in the report since the previous reporting period	p. 42	Disclosure 305-2 has been correctly cor- rected to 305-3, Helping customers make sustainable choices has been clarified and CSI has been added to the index.
102-50	Reporting period		1 January-31 December 2018
102-51	Date of publication of the latest report.		21 March 2018
102-52	Reporting cycle		Annual
	Contact point for questions concerning the report and its content		Pontus Glasberg, Logistics Manager, pontus.glasberg@swedol.se
102-54	Claims of reporting in accordance with the GRI Standards reporting levels	p. 42	
102-55	GRI Index		Swedol website, www.swedol.com/hallbar- het/certifikat-policys-och-redovisningar/
102-56	External assurance	p. 42	The report has not be audited externally

Topic specific disclosures

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LCONOMIC IN			
	ECONOMIC RESULTS		
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103-1 103-2	Governance	p. 4–6	
103-3			
	ANTI-CORRUPTION		
205-2	Communication and training about anti-corruption policies and procedures	p. 16, 19, 42	
103-1	Governance	p. 16, 19, 42	
103-2			
103-3	OWN DISCLOSURE – ECONOMIC IMPACT		
Own	Customer Satisfaction, CSI	p. 9	
103-1	Governance	p. 9	
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ENVIRONMEN	T IMDACT		
LINVIRUNINILIN	EMISSIONS		
305-3	Other indirect (Scope 3) GHG emissions	p. 17, H3	
103-1	Governance	p. 17, H3	
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103-3	ENVIRONMENT ASSESSMENT OF SUPPLIERS		
308-1	New suppliers that were screened using environmental criteria	p. 12, 15–17, H1	
103-1	Governance	p. 12, 15–17, 41	
103-2			
103-3	OWN DISCLOSURE - ENVIRONMENT		
Own	Support customers to make sustainable choices	Н	Concerns "Support customers in reducing their own environme
OWII	oupport customers to make sustainable choices	110	impact". The goal for 2019 is to define a way of working with this
		115	issue and a possible way of monitoring this.
	Governance	нэ	Concerns Support customers in reducing their own environmen impact The goal for 2019 is to define a way of working with this
			issue and a possible way of monitoring this.
SOCIAL IMPAG			
	EMPLOYMENT		
401-1	New employee hires and employee turnover	p. 42, H4	During the year, 150 new employees joined Swedol in Sweden. Deviation: disclosure on employee turnover only relates to
			Sweden. Figures for number of new employees in Norway and the
103-1	Governance	n 10 H4	gender and age balance are not available for this year's report.
103-2	Governance	p. 18, H4	
103-3			
	OCCUPATIONAL HEALTH AND SAFETY		
403-2	Type and number of occupational injuries and number of days of sick leave	p. 19, H4	
103-1	Governance	p. 18–19, H4	
103-2 103-3			
	TRAINING AND EDUCATION		
404-1	Average hours of training per year per employee	p. 18	Not reported from 2017 inclusive. Information concerns Swedol
		·	leadership program
103-1 103-2	Governance	p. 18	Not reported from 2017 inclusive. Information concerns Swedol leadership program
103-3			
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405-1	Diversity of governance bodies and employees	p. 19, H4	
103-1 103-2	Governance	p. 18–19, H4	
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	HUMAN RIGHTS		
414-1	New suppliers that were screened using social criteria	p. 16, 42, H2	
103-1 103-2	Governance	p. 16, 42, H2	
103-2			
	CUSTOMER SAFETY AND HEALTH		
416-1	Assessment of the health and safety impacts of product and service	p. 12, 15, H1	
103-1	categories Governance	p. 12, 15, H1	
103-2	Governance	ρ. 12, 10, 11	
103-3	OWN DIGGLOOUDE GOODS WEDGE		
2	OWN DISCLOSURE - SOCIAL IMPACT		
Own	Employee Net Promotor Score, eNPS	p. 18, 66	
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	OWN DISCLOSURE - SOCIAL IMPACT		
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Five year summary

Income statements

Group, MSEK	2018	2017	2016 ¹	2015	2014
Revenue	3,241.3	3,067.1	2,371.2	1,540.0	1,383.3
Cost of goods sold	-1,917.1	-1,858.5	-1,448.3	-960.5	-872.0
Gross profit	1,324.2	1,208.6	922.9	579.5	511.3
Operating costs	-998.9	-927.9	-746.7	-524.0	-461.9
Operating profit	325.3	280.7	176.2	55.5	49.4
Profit/loss from financial items	-8.0	-10.6	-11.8	-1.3	-0.9
Profit before tax	317.3	270.1	164.4	54.2	48.5
Income tax	-65.0	-62.9	-37.4	-11.9	-11.1
Årets resultat	252.3	207.2	127.0	42.3	37.4

Balance sheets

Group, MSEK	2018- 12-31	2017- 12-31	2016- 12-31 ¹	2015- 12-31	2014- 12-31
Intangible assets	744.6	636.5	632.2	29.3	25.6
Tangible non current assets	254.6	253.3	261.7	245.5	242.9
Financial non current assets	4.3	9.0	10.8	4.0	3.1
Total non current assets	1,003.5	898.8	904.7	278.8	271.6
Inventories	820.8	690.72	693.9	364.1	359.6
Current receivables	474.6	456.9 ²	374.9	196.2	199.2
Cash and cash equivalents	234.1	303.6	230.0	3.3	2.8
Total current assets	1,529.5	1,451.2	1,298.8	563.6	561.6
Total assets	2,533.0	2,350.0	2,203.5	842.4	833.2
Total shareholders' equity	1,255.5	1,080.0	930.2	512.5	503.0
Total non current liabilites	611.4	679.8	752.8	47.6	91.1
Accounts payables	311.4	255.5	262.9	118.1	102.0
Other liabilities	354.7	334.6	257.6	164.2	137.1
Total current liabilities	666.1	590.2	520.5	282.3	239.1
Total shareholders' equity and liabilities	2,533.0	2,350.0	2,203.5	842.4	833.2

Cash flow

Group, MSEK	2018	2017	2016 ¹	2015	2014
Profit before tax	317.3	270.1	164.4	54.2	48.5
Cash flow from changes in working capital	-55.3	-25.8	-63.9	12.2	3.4
Other cash flow from operating activities ³	2.5	-5.6	23.5	11.4	25.7
Cash flow from operating activities	264.5	238.7	124.0	77.8	77.6
Cash flow from investment activities	-178.8	-46.7	-362.6	-34.1	-18.8
Cash flow from financing activities	-155.2	-118.4	465.3	-43.2	-60.7
Cash flow for the year	-69.5	73.6	226.7	0.5	-1.9
Cash and cash equivalents at start of the year	303.6	230.0	3.3	2.8	4.7
Cash and cash equivalents at end of the year	234.1	303.6	230.0	3.3	2.8

Key figures

mey mauree					
Group	2018	2017	2016 ¹	2015	2014
Margin measurements					
Gross margin, %	40.9	39.4	38.9	37.6	37.0
Operating margin, %	10.0	9.2	7.4	3.6	3.6
Profit margin, %	9.8	8.8	6.9	3.5	3.5
Financial metrics					
Return on average capital employed, %	18.8	17.1	16.0	9.2	8.4
Leverage ratio, times	0.43	0.58	0.76	0.17	0.21
Equity ratio, %	49.6	46.0	42.2	60.8	60.4
Interest coverage ratio, times	27.4	18.5	12.4	26.8	14.1
Return on average total capital, %	13.5	12.5	11.7	6.7	6.3
Return on average shareholders' equity, %	21.6	20.6	17.6	8.3	7.6
Net debt to EBITDA, times	0.8	1.0	1.9	0.9	1.4
Activities related key					
Number of stores at the end of the year	99	99	99	48	47
Number of employees at the end of the year	1,041	9474	914	499	493
Average number of employees	982	9454	751	504	500
Revenue growth, %	5.7	29.3	54.0	11.3	0.3
Gross investments, MSEK	66.9	46.7	30.0	40.4	18.8
Total depreciation and disposals, MSEK	62.1	51.0	43.8	31.9	27.1
Average inventories, MSEK	761.0	726.0 ²	557.6	361.9	359.6
Data per share					
Earnings, SEK ⁵	3.03	2.49	1.53 ⁶	0.51 ⁶	0.456
Dividend, SEK	1.207	0.90	0.506	0.35 ⁶	0.276
Eget kapital, SEK	15.09	12.98	11.18 ⁶	6.16 ⁶	6.05 ⁶
Cash flow from operating activities, SEK	3.18	2.87	1.49 ⁶	0.94 ⁶	0.936
P/E -ratio	10.35	11.68	16.97	28.44	28.07
Dividend yield, %	3.827	3.09	1.93	2.39	2.13
Share price at end of the year	31.40	29.10	25.90	14.46	12.62
Number of shares, thousands	83,200	83,200	83,200 ⁶	83,200 ⁶	83,2006

- Björnkläder Intressenter AB (Grolls) was consolidated with effect from 8 June 2016.
 The group has adjusted the calculation for inventories via a transfer between other receivables and inventories such that inventory value no longer includes advance payments.
 This has resulted in the comparison figures being recalculated.

 tens included are, Adjustment for items not included in cash flow, Interest, Paid tax.
- The saleulation method for number of employees has been adjusted with effect from the third quarter 2018 inclusive. This has resulted in the comparison figures being recalculated. The change was made to better reflect the number of employees and number of hours worked within the group.
- ⁵ Earnings per share are the same before and after dilution, as there are no outstanding
- warrants or convertibles that can entail dilution.

 Restated in respect of the preferential share issue in 2016.
- ⁷ Proposed dividend.

Definitions and glossary

Swedol reports key ratios to describe the underlying profitability of its business and to improve comparability between reporting periods and sectors.

Definitions - key figures

Swedol uses the four financial key figures of growth, operating margin, return on shareholders' equity and equity ratio when setting long term targets. In addition to these key figures, a number of other complementary key figures are used that Swedol considers relevant for users of our financial reports to assess the possibility of dividend payments, make strategic investments, evaluate profitability and assess the group's ability to live up to its financial undertakings. The group applies the European Securities and Markets Authority (ESMA) guidelines for reporting alternative key figures.

Return on average total capital

Profit before tax increased by financial costs as a percentage of average total capital (balance sheet total at the start and end of the year respectively, divided by two).

Return on average shareholders' equity

Profit for the year as a percentage of average shareholders' equity, (shareholders' equity i.e. the sum of equity at the beginning and the end of the year divided by two).

Return on average shareholders' equity is a ratio that the group considers to be important for investors who wish to compare their investment with alternative investments.

Return on average capital employed

Profit before tax increased by financial costs as a percentage of average capital employed at the start and end of the year respectively, divided by two.

Return on average capital employed is a ratio that the group considers important for investors who want to understand profit generation in relation to capital employed.

Beta value

Statistical measure of how an asset has historically performed in relation to the market.

Gross margin

Revenues minus costs of goods sold, divided by revenues.

Gross margin is a ratio that the Group considers important for investors that wish to understand how profitable products are.

Dividend yield

The proposed dividend for the year divided by the share price at the end of the year.

Shareholders' equity per share

Eget kapital dividerat med antal aktier, justerat med hänsyn till nyemission och split.

The group considers that shareholders' equity per share is a relevant key ratio as it shows the proportion of shareholders' equity that belongs to shareholders in the parent company.

Stock turnover ratio

Revenues divided by average stock value

Net debt to EBITDA

Net debt is defined as interest bearing liabilities (sum of short-term and long-term interest bearing liabilities) minus cash and cash equivalents. The definition of EBITDA (earnings before interest, tax, depreciation and amortization) is operating profit excluding depreciation and write downs of tangible and intangible assets. Net debt divided by EBITDA.

Net debt (interest bearing net debt) in relation to EBITDA is a ratio that the Group considers relevant for credit providers wishing to understand the Group's total debt position in relation to its profit generating capacity. totala skuldsituation i förhållande till dess resultatgenerering.

P/E

The share price on balance sheet day divided by earnings per share.

P/E is used for the valuation of shares and is the ratio of the company's earnings to the share market price.

EV/Sales

The total of the market capitalization plus net liabilities divided by its sales.

Enterprise value/sales is a financial ratio that compares the total value of the company to its sales. The key figure is closely related to P/S but takes the whole business into account.

Earnings per share

Profit for the year attributable to parent company shareholders divided by an average of the number of shares outstanding during the year, adjusted for new issues and splits.

Interest coverage ratio

The ratio is calculated by dividing a company's earnings before interest and taxes by the company's interest expenses for the same period.

Interest coverage is a key ratio that shows how much earnings can go down before interest payments are at risk. The group considers this key ratio as relevant for investors who wish to assess the group's financial resilience.

Operating margin

Operating profit as a percentage of revenues.

The group views operating margin as a relevant key ratio for investors wishing to understand what proportion of revenues remains to cover interest, tax and earnings.

Debt to equity ratio

Interest-bearing liabilities (total of current and non-current interest-bearing liabilities) divided by shareholders' equity.

The debt to equity ratio shows the relationship between borrowed capital and shareholders' equity and therefore debt leverage. The group considers this key ratio as relevant for investors who wish to assess the group's financial strength.

Equity ratio

Shareholders' equity as a percentage of total assets.

Equity ratio is a ratio the group considers important for credit providers who wish to understand the company's long-term ability to repay.

Standard deviation

Statistical measure that describes an asset's volatility. Used to measure risk.

Capital employed

Total capital (total assets) less non interest bearing liabilities and other appropriations, including deferred tax liability.

Capital employed is a ratio that the group considers of practical application for investors as it shows what proportion of group assets is financed by interest attracting capital.

Revenue growth

Revenues current year divided by revenues comparative year, minus 1.

Total capital

Shareholders' equity in the consolidated/parent company balance sheet plus net liabilities.

Profit margin

Profit after financial items as a percentage of revenue.

The Group considers profit margin to be relevant for investors as it shows what proportion of revenue remains when all costs, excluding tax, are covered and accordingly puts profit in relation to the scale of the enterprise.

Definitions - glossary

CO,e

Carbon dioxide equivalents.

Comparable units

Here, comparable units are units that were open during the entire year referred to, i.e. during both the current and previous year.

Omnichannel

An approach where different sales and marketing channels interact and create a total solution that enables a seamless and personalized customer experience across all channels.

CSI

Customer Satisfaction Index.

eNPS

Employer Net Promoter Score is a measure of how willing an employee would be to recommend their workplace to friends and acquaintances.

Swedol's own products

Covers Swedol's own brands and own label products.

OEKO-TEX®

Independent product certification for all types of textiles that have been tested for substances harmful to health - from wool and fabrics to finished products.

Other units

Other units relate to all other sales that are not comparable



Information to shareholders

Financial calendar

Reports

Interim report Jan-Mar 2019	25 Apr 2019
Interim report Jan-Jun 2019	23 Jul 2019
Interim report Jan-Sep 2019	25 Oct 2019

Annual General Meeting

Annual general meeting 2018 25 April 2019

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Swedol financial reports, press releases, share information and other relevant company information are available at www.swedol.com. The website also offers a subscription service to receive press releases and financial reports and other current information.

WWW.SWEDOL.COM

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