

ANNUAL REPORT 2019



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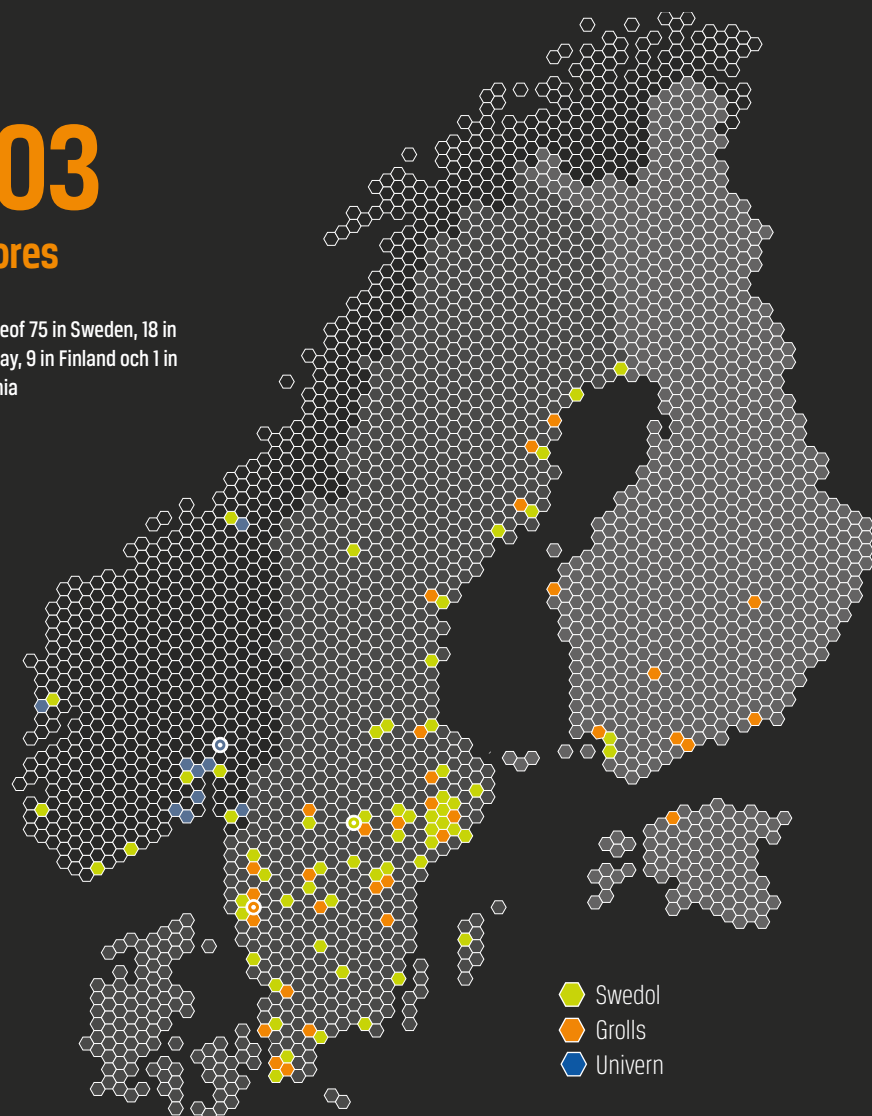


Attractive employer
22

*Pages 49-73, including the notes, the signing of the board and the audit report have not been translated, and are omitted from this document.

103
stores

Whereof 75 in Sweden, 18 in Norway, 9 in Finland och 1 in Estonia



Swedol
Grolls
Univern

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 operating in the geographic markets Sweden, Norway, and Finland and the Baltics.

The Group offer is collated within our three concept brands; Swedol, Grolls and Univern.



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



2019 in brief

- Swedol completed four acquisitions during the year, two in Sweden, one in Norway and one in Finland. Via the acquisitions, five new stores were added.
- Four new stores were opened in Sweden and two new stores were opened in Norway. In addition, seven stores were integrated in line with Swedol's new store concept.
- In Norway the implementation of the Groups common IT and business system, pricing system and legal structure was completed. The same structure already exists in Sweden.
- On 1 September Swedol implemented changes to the Group's overall structure. In the new organization, the sales organization in each respective country is coordinated under a country manager. Purchasing that was previously divided between the two divisions of Tools and supplies and Workwear and personal protection is now coordinated under a new group wide function Concept and range development.
- Preparations for the expansion of the logistics center in Örebro continued according to plan, except an initial delay as a result of an extended building permit process. The planned expansion of the automated warehouse Autostore in Örebro was completed in November.
- On 11 November the Momentum Group submitted a tender offer to shareholders in Swedol. For each A and B share in Swedol respectively, a cash payment of SEK 46.50 per share is offered or alternatively a share exchange of 0.40 of a new B share in the Momentum Group for each A and B share in Swedol respectively. More information can be found in the share data and shareholders section on page 25.

Revenues 2019

3.62

SEK billion

Operating margin 2019

9.3

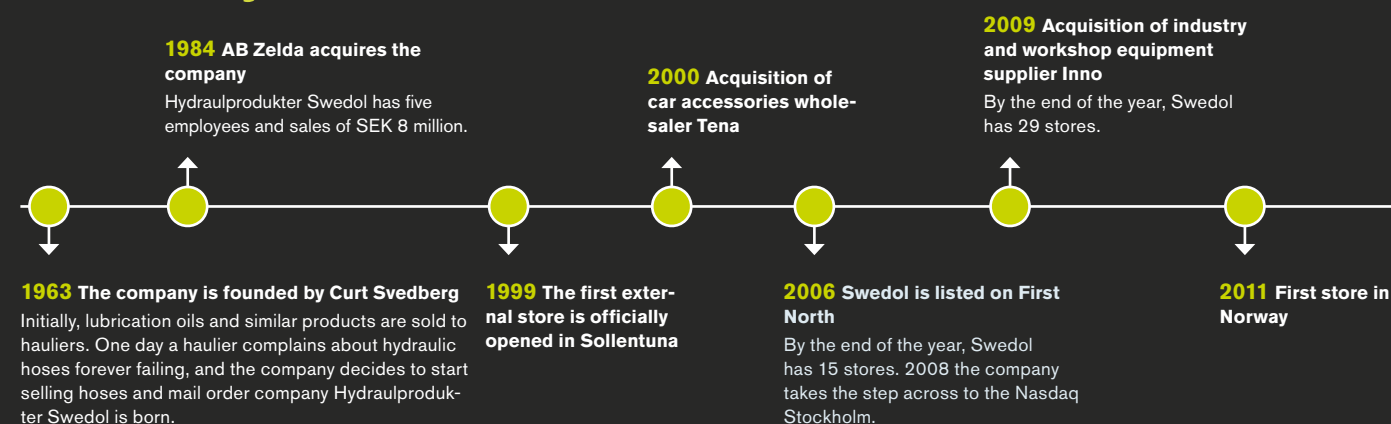
Percent

Number of employees

1,090

Converted to full-time jobs

The history of Swedol





Five year summary

	2019 ¹	2018	2017	2016 ²	2015
Revenues, MSEK	3,622.1	3,241.3	3,067.1	2,371.2	1,540.0
Operating profit, MSEK	336.0	325.3	280.7	176.2	55.5
Revenue growth, %	11.7	5.7	29.3	54.0	11.3
Gross margin, %	40.4	40.9	39.4	38.9	37.6
Operating margin, %	9.3	10.0	9.2	7.4	3.6
Equity ratio, %	44.3	49.6	46.0	42.2	60.8
Average number of employees	1,098	982	945 ³	751	504
Gross investments, MSEK	116.5	66.9	46.7	30.0	40.4
Number of stores at the end of the year	103	99	99	99	48

¹ Effective 1 January 2019, the Group applies IFRS 16 Leases. The transition has been made with the aid of the simplified method, which means the comparison figures have not been recalculated. The effects of this on the balance sheet, income statement and key figures for 2019, are presented in note 29.

² Björnkläder Intressenter AB (Grolls) was consolidated with effect from 8 June 2016.

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.

2012 Nima Maskinteknik is acquired is acquired



2013 Strategic restart

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

2015 Nordstjernen AB becomes the new major shareholder



2016 Acquisition of Grolls

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

2017 Reorganization

The Group is structured into two divisions: Workwear and personal protection and Tools and supplies.



2018 Increased acquisition activity and strengthened position in Finland.

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

2019 Clarified organizational structure

The sales organization in each respective country is coordinated under a country director. Purchasing is now coordinated under a new group wide function Concept and range development.



Focus on growth but slowdown in demand

In 2019, Swedol continued to pursue new sales initiatives and drive expansion via store openings and acquisitions. Revenue growth was stable but faced an increased slowdown in demand in the fourth quarter.

Continued focus on growth

In 2019, Swedol continued to pursue new sales initiatives and drive expansion via store openings and acquisitions. Revenue growth for the Group amounted to 11.7 percent (5.7), of which organic growth accounted for 4.9 percent and 2.8 percent was attributable to comparable units.

The growth initiatives we implemented in 2019 had a positive effect on organic growth. However, sales were adversely affected by the unseasonably mild weather in the fourth quarter and an increasing slowdown in demand on the Swedish market.

Growth from acquisitions amounted to 6.5 percent, of which 0.3 percent consisted of currency effects. We completed a major investment in expanding the store network and opened a total of six new stores. In addition to opening stores, acquisitions are an important tool in strengthening the Group in those areas and markets where we can see potential. Continued acquisitions are a necessity if we are to maintain a rate of growth at the levels we have had in the last few years. In total, four acquisitions were completed in 2019.

In the third quarter, we implemented a change to the organization structure such that each respective sales organization within our three geographic market segments Sweden, Norway and Finland/Baltic States now has its own country manager. The new sales organizations are designed to facilitate closer cooperation between stores, field sales and Key Account Managers. This gives us a better drive in our sales work and enables the country organizations to focus on their core tasks while at the same time gaining the benefits of the Group's scalable platform. The new organization structure is an important building block in the development of a modern and competitive company that will tackle new and greater challenges moving forward.

Marginal growth

We encountered several challenges related to margin growth during the year. Gross margin amounted to 40.4 percent (40.9) and was adversely affected by changes in the product mix, which was an effect of the mild winter in the fourth quarter. For example, the weather had an effect on sales of workwear, footwear and hydraulics. Revenue wise, these losses were counterbalanced by strong sales within other product groups to an extent, but with lower profitability. Higher commodity prices, increased shipping costs and currency effects also had a negative impact, but these were countered to a degree by price adjustments implemented and an increased proportion of own brands.

Operating margin was 9.3 percent (10.0) and was affected by lower gross margin, higher items affecting comparability related to acquisitions and costs for expansion of the store network.



Swedol is a stable company today that is ready and able to tackle new and greater challenges in the future

Cashflow and dividend

Cashflow from operating activities amounted to MSEK 306.2 (264.5), the effect of IFRS was MSEK 170.4. Cashflow for the year was negatively affected by high inventory levels as a consequence of store expansion, a higher proportion of own label products, growth initiatives, payment of delayed accounts payable and the payment of a tax liability from earlier years.

That we have enjoyed continued growth in own brands is pleasing, but at the same time means new challenges within purchasing and logistics where an inventory efficiency drive is a prioritized area. Although we have measures in place and we are working in areas such as improving purchasing control in the Group, it takes time to reduce inventory levels without putting at risk our capacity to deliver at a time when we are growing quickly.

Our assessment is that long term, the cashflow generated by the Group is strong and resilient enough to continue to pay a dividend in line with our target of 30–50 percent of net profit. The dividend to shareholders for 2019 proposed by the board is therefore unchanged at SEK 1.20 (1.20) per share, which corresponds to 42.1 percent of net profits.

Swedol's markets

The Group achieved continued profitable growth on all its markets in 2019, despite a slowdown in demand and a mild winter having a negative effect on sales within important product groups in the fourth quarter. Many of the targeted initiatives we implemented within selected product areas have proved successful, such as the investments in fixings and power hand tools. During the year, many of our tenders to large customers bore fruit, thanks to our strengthening our KAM system. However, our focus remains on SME customers, where we enjoyed particularly strong growth within the medium size group.

The Group's largest market Sweden showed a certain slowdown in demand in the final quarter of the year. Despite this, the Group achieved growth of 6.0 percent (2.3), which shows that we have once again successfully managed to gain marketshare.

The market in Norway saw good growth, largely driven by the strong offshore sector. Group growth amounted to 14.0 percent (15.1), that was negatively affected in the first and second quarter in particular, by interruptions related to implementation of our common IT and business system. This implementation was the final step in the integration of



our Norwegian business with the Group's scalable platform. The structure is now in place and working well.

Growth in Finland and the Baltic region remained strong and growth for the Group amounted to 123.5 percent (62.5). This high growth was driven by acquisitions and we are investing in further strengthening our position on what is a strategically important market. Our marketshare may be small but we see continued opportunities for good growth. Integration of operations into the Group's scalable platform is expected to be effected in the first half of 2020.

Continuous sustainability work

Our sustainability work has long been a prioritized area for us where we are always looking to improve. Sustainability work is an important and integrated part of the Swedol strategy and business model. For the Group to remain competitive, we need to ensure we are a responsible and sustainable business, and naturally, we continue to support the principles in the UN Global Compact.

We are continuing to work from the survey of our business operations in relation to the Global Compact goals for Sustainable Development, that we implemented in 2018. This survey has provided good support in the way we are focusing our sustainability work and helps us, in the most effective way possible, to contribute to sustainable development for people, the environment and society.

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 the 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 ship and rail transport.

In 2019, we continued our Group management development program initiative, and almost all managers have now completed the program that is about managing yourself, managing others and managing your business. This is pleasing as it will make Swedol a better place to work and our employees can interface with customers with our big unique advantage, knowledge and commitment.

Future projections

In 2019, we encountered challenges in the form of integration hiccups in Norway, a weaker economy in Sweden and unseasonably mild weather in the fourth quarter. These all contributed to our sales and margin growth not being as

good as we would have liked, which we are not satisfied with.

The spread of COVID-19 risks having effects on the economy and demand on all markets. Sales will be impacted by this, but at this moment in time, it is difficult to assess the financial impact. Current indications from the supplier chain in Asia do not point to any substantial production disturbances so far. We are keeping a close eye on developments and taking appropriate actions based in public authority recommendations and the prevailing situation in the best interests of individuals, society and the company.

Based on the weak economy and general uncertainty on the market, we have contingency plans in place to take action and we will adapt our costs structure in 2020.

At the same time, there are opportunities to take advantage of numerous sales campaigns and growth initiatives that have been implemented in recent years. Initiatives already implemented can therefore pave the way for continued profitable growth. We will continue on our chosen path and our strategy will continue to focus on profitable growth and expansion.

Swedol is a stable company today that is ready and able to tackle new and greater challenges in the future. We have worked hard over the past few years to build a scalable platform where our different segments have a common IT and business system, price system and legal structure, while at the same time we can leverage economies of scale within areas such as concept and range development, purchasing, logistics and finance. The structures we have created have laid the foundations for a significantly larger business than the Group is today, and we are prepared for the changes that can be expected to occur. We will hopefully meet these together with the Momentum Group.

I would like to thank all our employees, suppliers, partners, customers and shareholders who have made it possible for Swedol to be a successful company.

Tyresö, March 2020

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

The graphic consists of five dark grey rectangular boxes arranged horizontally, each containing a strategic goal in yellow text. Below these five boxes is a single, wider dark grey rectangular box, also containing a strategic goal in yellow text.

- 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

Sustainability - an integral part of our strategy and business planning

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 issues¹ play a key role in our business planning for the Group. These issues are directly linked to one or several strategic goals and are a key part of the work we are doing to contribute to the Global Compact Goals for Sustainable Development². These important sustainability issues should be reflected in everything we do as an enterprise and Swedol continuously works to ensure everyone in our organization understands them.

In 2019, work to integrate these important sustainability issues into our business planning intensified via clearer processes and divisions of responsibilities.

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

¹ Swedol's materiality analysis identifies the most important issues within the Group's sustainability work. This analysis is validated annually via new stakeholder dialogs and risk analyses. For further information on Swedol's important sustainability issues, please see page 75.

² 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 Global Goals For Sustainable Development

Swedol fully supports Agenda 2030. 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.



THE GLOBAL GOALS



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

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-

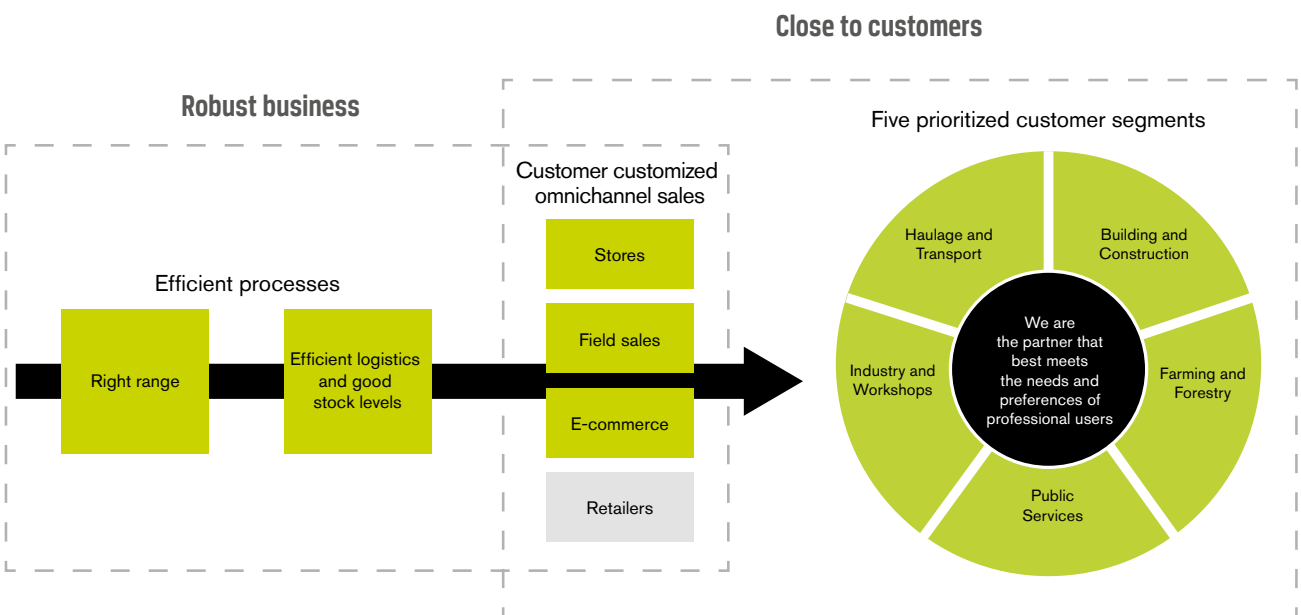
tunities of digitalization. Increased digitalization has the potential to create greater competitiveness and make the Group more efficient across the board, including our internal processes.

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.



Financial targets

TARGET	OUTCOME	COMMENTS TO THE 2019 FIGURES
<p>15 %</p> <p>Revenue growth¹</p>	<p>Revenues, MSEK Revenue growth, %</p> <p>Target 15 %</p>	<p>Revenue growth has been positive since the trend reversal in 2015. This is partly a consequence of good underlying market growth, but above all, a result of measures implemented to increase sales. Profits for 2016 and 2017 have been strongly impacted by the acquisition of Grolls that was completed in June 2016. In 2018, growth was adversely affected by lost customer contracts and a temporary stock shortage in the Grolls chain in Sweden. Our growth of 11.7 % in 2019 was positively affected by growth initiatives, store expansion and acquisitions completed.</p>
<p>11 %</p> <p>Operating margin¹</p>	<p>Operating profit², MSEK Operating margin³, %</p> <p>Target 11 %</p>	<p>Operating margin has gradually been improved from 3.6 % on 2015 to 10.0 % in 2018. This positive development can be explained by a growth in sales, better product mix and ongoing price adjustments. Operating margin for 2019 slipped to 9.3 % as a consequence of lower gross margins and growth initiatives implemented in the form of store network expansion, e-commerce and acquisitions.</p>
<p>25 %</p> <p>Return on average shareholders' equity¹</p>	<p>Shareholders' equity, MSEK Return on average shareholders' equity², %</p> <p>Target 25 %</p>	<p>Swedol's return on average shareholders' equity enjoyed positive growth between 2015 and 2018 as a consequence of rising operating profits. In 2019 the return on average shareholders' equity fell from 21.6 % to 17.8 %. The variation in the level of return is primarily due to the growth in operating margin.</p>
<p>30 %</p> <p>Equity ratio⁴</p>	<p>Total assets, MSEK Equity ratio³, %</p> <p>Target 30 %</p>	<p>Our equity ratio target has been revised down from 40 % to 30 % from 2019 inclusive, in the lights of the effects of IFRS 16. The equity ratio target has been achieved for the entire current five-year period. In 2016, the equity ratio fell following the acquisition of Grolls. However, the equity ratio was restored via a new share issue and reached 42.2% at the end of 2016. In 2018, equity ratio was further strengthened and amounted to 49.6 % at the end of the year before slipping to 44.3 % in 2019 as a consequence of the implementation of IFRS 16. This strong equity ratio provides a solid financial base for continued growth and gives us the means to take advantage of future acquisition opportunities.</p>
<p>30-50 %</p> <p>Share dividend of net profit⁵</p>	<p>Net profit³, MSEK Share dividend³ of net profit⁵, %</p> <p>Target 30-50 %</p>	<p>The proposed dividend for the year comprises 42.1 % of net profit for the Group, which lies within the range of our established policy. The dividend for 2014-2015 was above this established policy. The current capital structure and profitability are assessed as offering substantial leeway for the proposed dividend.</p>

¹ Long-term financial targets, viewed over an entire economic cycle.

² Björnkälder Intressenter AB (Grolls) was consolidated with effect from 8 June 2016.

³ Effective 1 January 2019, the Group applies IFRS 16 Leases. The transition has been made with the aid of the simplified method, which means the comparison figures have not been recalculated. The effects of this on the balance sheet, income statement and key figures for 2019, are presented in note 29.

⁴ As a consequence of new accounting principles in the switch to IFRS 16 Leases, the Group has revised its financial targets concerning equity ratio from 40 percent to 30 percent.

⁵ Proposed dividend.

Market overview

Swedol is active in three geographic market segments. Overall, growth was stable in 2019, but faced an increased slowdown in demand in the fourth quarter.

Swedol segments

In geographic terms, the Group is established in Sweden, Norway, Finland and Estonia. The Group's markets are divided into three segments, Sweden, Norway plus Finland and the Baltic region.

Following an organizational change in 2019, sales are now managed on the three geographic market segments by separate sales organizations headed by country managers. Other functions, such as concept and range development, purchasing, finance, logistics and IT, are managed centrally within the Group's scalable platform. Thanks to this new organizational structure, sales are now managed in a clearer, more effective and more targeted way.

The Group's combined offer is oriented to business customers in five prioritized customer groups; Building and Construction, Industry and Workshops, Haulage and Transport, Farming and Forestry plus Public Services. The construction cycle in each respective country is very likely to have a major impact on the local market, and by extension, on Swedol's growth prospects within each segment and for the Group as a whole.

Swedol customers primarily consist of small and medium size enterprises which as a rule are relatively 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 groundwork.

Swedol's development

The Group enjoyed profitable growth on all markets in 2019. Total revenue growth for the Group was 11.7 percent. Both organic and acquisition-driven growth were good, despite a slowdown in demand on the market and an unseasonably mild winter. The slowdown primarily affected Sweden in the fourth quarter.

Workwear and personal protection grew by 10.6 percent in 2019. The division is strong on all markets and compared to Tools and supplies, sales are more proportionally split between the countries.

Tools and supplies grew by 13.0 percent in 2019. The division has a presence on all group markets but sales are mainly in Sweden, and to a lesser extent in Norway and Finland.

Competitors

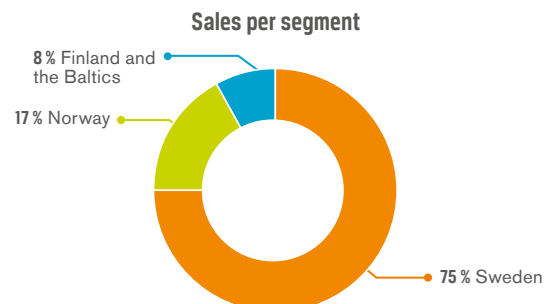
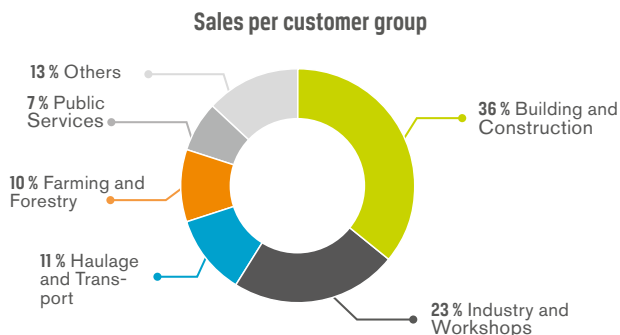
Swedol faces competition internationally, nationally and locally in all its customer groups. Competitors consist of industrial and construction oriented chains with a presence on one or several of our geographic markets, plus local independents.

Marknadstrender

Digitalization continues to be a powerful trend with an impact in areas such as sales, logistics, internal efficiency drives and the automation of processes. Digitalization is a prioritized area for Swedol and an integrated part of our strategy. Companies that successfully leverage the benefits of digitalization in a good way across their entire organization can boost their competitiveness. The Group views further development within the area as crucial for profitable growth.

E-commerce continues to become more and more significant and it is becoming increasingly important to ensure the range is visible online even if customers still buy the products in store. All significant companies on the market are looking to develop their online 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 complemented by alternative logistics arrangements to meet customer needs and purchasing patterns.

Consolidation has been a continuing trend for quite some time on most of Swedol's markets. Larger companies and chain concepts can leverage economies of scale in areas such as purchasing, finance, logistics, sales and IT. Swedol is following the trend via an active acquisition strategy. Although the trend is widespread, the degree of consolidation differs between the Group's different geographic markets.



Sweden

Swedol's sales growth was stable in Sweden in 2019 as a whole, however the market showed signs of an increasing slowdown in demand in the fourth quarter.

Description of Market

The Swedish market is Swedol's biggest single market and geographic segment. Customers primarily consist of small and medium size enterprises (SME) within the Group's five prioritized customer groups.

The market has enjoyed good growth for a longer period but began to slow towards the end of 2018 due to worries in the property and construction sector. Contributory factors to the continuing slowdown included uncertainty within several sectors, such as property, building and construction plus industry. Rising costs for freight and raw materials and the weak Swedish krona have also had a negative effect on sales and margins. Market growth as a whole continued to be stable in 2019, but the slowdown in demand accelerated towards the end of the year.

Swedol's position

The Group is firmly established with a broad and nationwide store network in Sweden.

Swedol has adopted an active acquisition strategy and completed the acquisition of two stores in Sweden in 2019. The stores acquired were De Facto Yrkeskläder, in Arlandastad, and Industriprofil, in Gävle. Both these stores are strong brands locally and they are set to continue under their own brand, as part of multispecialist Swedol.

The store network was also expanded with the addition of four new stores. Three Grolls stores were incorporated into Swedol stores, which means a total net increase of three stores in Sweden in 2019. At the end of the year, the Group had a total of 75 stores in Sweden, of which 50 were Swedol stores, 23 Grolls stores plus two independent stores.

Swedol's development in 2019

The Group developed well during the year on the Swedish market as a whole, although demand slowed over the year and the mild winter had a negative impact on sales in the fourth quarter. In total, sales increased by 6.0 percent in 2019.

Swedol has continued to grow profitably on a slowing market by taking new marketshares and the Group outperformed the average construction and ironmongery index. Key factors in this are successful sales campaigns, on both own brands and external brands, that delivered additional cross sales, growth with the medium size enterprise customers and closer ties with partner suppliers.

Competitors

The Swedish market is relatively consolidated and the Group face competition within all customer groups. Swedol's biggest competitors in Sweden are Ahlsell, the Momentum Group, Würth and Jula at national level. Rivals of the Group on a local level include small ironmongers and clothes retailers.

2,740.8 MSEK

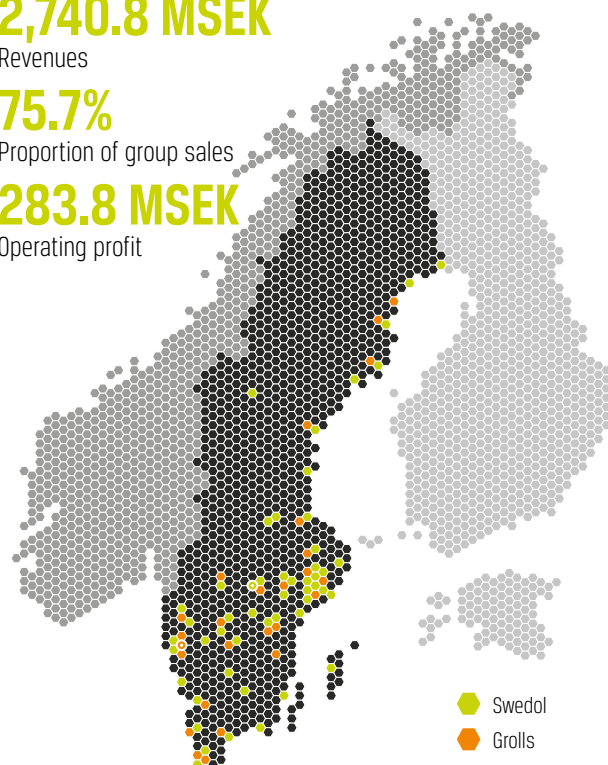
Revenues

75.7%

Proportion of group sales

283.8 MSEK

Operating profit



75 stores

Whereof 50 Swedol stores, 23 Grolls stores and 2 independent stores

Proportion of group sales



Norway

Swedol is established in Norway but a small name in general. In 2019, the foundations were laid for future expansion by the integration of business activities into the Group's scalable platform.

Description of Market

Norway is Swedol's second largest market after Sweden. Customers primarily consist of small and medium size enterprises (SME) within the Group's prioritized customer segments. Unique to the Norwegian market is the major importance of oil and gas companies in the offshore industry. The Norwegian market has recovered well in recent years, after the earlier depression in the offshore industry. General market growth continued to be good in 2019.

The market has a high degree of consolidation, while at the same time there are numerous local generalist companies in small and remote locations. These stores can include everything from fishing products to construction supplies.

Swedol's position

The Group is established on the Norwegian market via two store chains, Swedol and Univern. In addition to its own stores, the Group has a broad network of distributors in locations where it is difficult to establish its own concept due to the character of the Norwegian market. Swedol has a relatively small marketshare compared to the market as a whole and there continues to be potential for the Group to strengthen its position.

At the end of 2019, the Group had a total of 18 stores in Norway, of which eight were Swedol and 10 Univern stores. Two new stores were opened during the year and one acquisition completed. The Univern store in Arendal was integrated into an existing Karl S Hanssen store that was expanded to become a Swedol store that offered the entire range of Group products under one single roof. Three other store integrations were also implemented.

Since becoming established in Norway in 2011, Swedol has worked hard to increase profitability there. The acquisition of Grolls on 2016 strengthened the Group's position via the well-established Univern store network. After the challenges of gaining an initial foothold, Swedol has now developed into a profitable business with a platform for continued growth.

Swedol's development in 2019

Revenue growth for the Group in Norway during the year amounted to 14.0 percent. Sales were positively affected by growth in the offshore sector, but negatively by interruptions related to the migration to the Group's common IT and business system that was implemented at the start of the year. Growth was achieved with profitability and operating margin was 3.1 percent.

Integration in Norway means that the business has a common IT and business system, price system and legal structure. This scalable platform means the Group can manage the business more efficiently and it simplifies future acquisitions and store expansion.

Competitors

Group competitors in Norway largely consist of big nationwide names such as Würth, Tess, Ahlsell, Wenaas and the Momentum Group. In addition to these, there are numerous strong local companies with broad ranges that to an extent, include products outside Swedol's offer.

609.5 MSEK

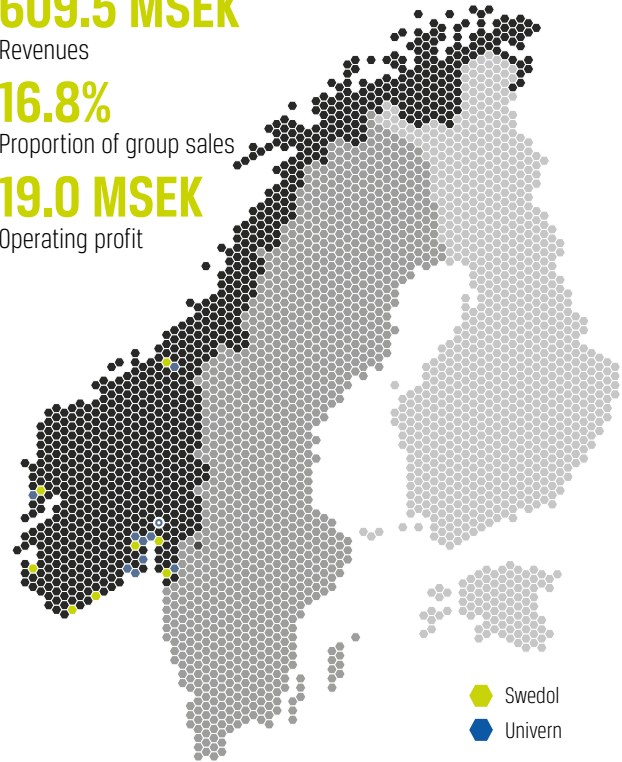
Revenues

16.8%

Proportion of group sales

19.0 MSEK

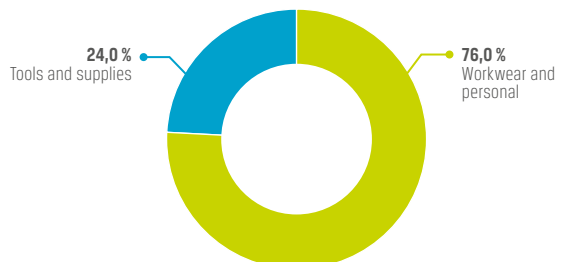
Operating profit



18 stores

Whereof 8 Swedol stores and 10 Univern stores

Proportion of group sales



Finland and the Baltic region

Swedol has continued to strengthen its presence in Finland and the Baltic region in 2019. Although the Group has a low marketshare there are good opportunities for growth.

Description of Market

The geographic market segment includes two countries, Finland and Estonia. Customers primarily consist of small and medium size enterprises (SME) within the Group's prioritized customer groups. Size wise, the market is smaller than in Sweden, but the growth potential is assessed as good. Market growth has been healthy in recent years but there is uncertainty surrounding the market's future rate of growth. The market finds itself in the middle of a consolidation phase and rivalry between the biggest competitors is expected to sharpen in the future.

Swedol's position

The Group has consciously looked to strengthen its position in Finland since entering the market with the acquisition of Grolls in 2016. In 2019 one acquisition was completed, for two new stores, which took the total number of stores to ten at year end. With seven Grolls stores in Finland and one in Tallinn in Estonia, workwear and personal protective equipment make up the largest part of the Group's market offer. The presence within tools and supplies is limited to two stores under the Metaplan brand that is a separate part of Swedol with a strong local position in Turku.

Compared to Sweden and Norway, the Group has a relatively small presence in Finland and the Baltic region. However, Swedol sees good opportunities to further strengthen its position within the segment moving forward, for both workwear and personal protection and tools and supplies. The Group's growth strategy embraces both the opening of new stores and acquisitions, in practice, the Group has expanded via organic growth in existing stores and the acquisition of new stores.

Swedol's development in 2019

The Group enjoyed good sales growth in Finland and the Baltic region in 2019. Revenue growth amounted to 123.5 percent, strongly driven by acquisitions plus good organic growth.

Growth was achieved with profitability and operating margin was 11.0 percent. The Group is pursuing ongoing work to integrate business operations in Finland and the Baltic region in the same way as has already been done in Sweden and Norway. The integration is expected to be completed in the first half of 2020 and will give the Group opportunities to leverage the advantages of a scalable platform with central functions and efficient processes, which will simplify continued expansion of the store network and profitable growth.

Competitors

The market for tools and supplies is relatively consolidated in Finland and the competition largely consists of nationwide chains such as Würth, Etra and the Momentum Group, plus local independents.

A similar consolidation is underway on the market for workwear and personal protection where chains such as Image-Wear, Skydda, VTR and Workwear Center have gained strong market positions.

271.7 MSEK

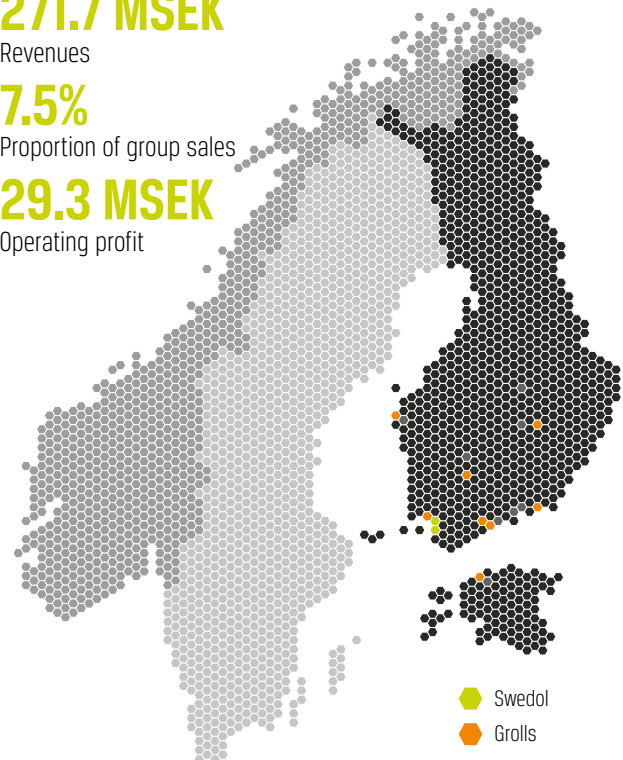
Revenues

7.5%

Proportion of group sales

29.3 MSEK

Operating profit



10 stores

Whereof 8 Grolls stores and 2 independent stores

Proportion of group sales



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

The ability to meet customers on their terms and conditions is vital to ensure a competitive and attractive offer. Via close interaction between the Group's sales channels, customers can take advantage of Swedol's offer based on their own unique needs and preferences. Customers are served with high flexibility and can choose for themselves how they wish to interact with Swedol. Our sales channels complement each other to create a coherent and unique Swedol experience on the customer's own terms and conditions.

Satisfied customers are the core of Swedol's business and the key to profitability and sustainable growth. Swedol puts great weight on customer benefits and audits this via annual customer surveys. Thanks to our skilled and enthusiastic employees, Swedol is able to create, maintain and develop strong customer relationships.

Sales organization at country level

The Group implemented a reorganization in 2019 that meant sales work would be managed at country level instead of division level. Sales via stores, field sales and Key Account Managers (KAM) are coordinated under country managers in Sweden, Norway, Finland and the Baltic region. This new organizational structure means a clearer demarcation of responsibilities and enables more efficient management of sales work.

Stores

Swedol reaches out to a large percentage of customers on the Group's markets via its 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. The store network has been expanded

in 2019 via both acquisitions and new store openings to strengthen the Group's presence in selected locations. In parallel with this, roll out of the new store concept has continued, which has meant both store integrations and the reprofiling of stores.

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. One important investment area has been in Key Account Managers where the Group has built up a good structure to manage tendering and negotiations with larger customers.

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 the sales organization in each respective country.

In late 2019, Swedol launched its collect in store solution as a step towards linking online and store sales closer together. This solution means customers can order online and then collect this at their choice of store.

Distributors

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



Measuring customer satisfaction

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 2019 were as follows: Swedol in Sweden 76 (74), Swedol in Norway, 82 (82), Grolls 76 (72) and Univern 85 (80). These general increases in our customer satisfaction surveys mean that the Group achieved a score of at least 75 in each survey. Initiatives implemented in both the current year and earlier, together with good service and delivery dependability have probably contributed to these scores. The Group is continuing to monitor its stores and sales districts and implement locally adapted action plans along with targeted training initiatives to ensure we achieve similar customer satisfaction scores.

Concept brands

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



One integrated company – several concept brands

The Group offer is collated within our concept brands; Swedol, Grolls and Univern. Alongside these, the Group has stores with independent brands. Acquired stores that are assessed as having strong brands at local level are integrated into the Group's common platform but can, in certain cases, continue to trade under their own brand as part of the multispecialist Swedol. 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. Six new stores were opened in 2019 and seven stores were integrated. The total number of stores at the end of the year was 103 (99).

The concept brands gain the benefits of economies of scale within key areas such as concept and range development, purchasing, logistics, sales, finance and IT.

Creating a scalable platform has been a prioritized investment area for Swedol in recent years. This means that business operations in each respective country are integrated into a single legal entity with a common business system and price system. The scalable platform means that the Group can integrate new acquisitions efficiently while at the same time make doing business easier for customers. The platform is in place in Sweden and Norway, and will be implemented in Finland in the first half of 2020.

Customers can buy from different concept brands in each country and pay one single invoice, which simplifies cross sales and contributes to a smoother customer experience. The different websites also share a common e-commerce platform where customers can toggle between the websites and shop for all concept brands in a common shopping basket.

Swedol

Under the Swedol brand, 50 stores operate in Sweden, eight stores in Norway, plus two independent stores in Finland, along with e-commerce in each respective country. 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.



One integrated company

Several concept brands

In 2019, four new stores were opened in Sweden and two new stores in Norway, which represents one of the largest investments in expansion of the store network to date for Swedol. In accordance with the Swedol store concept, each new store in Sweden also has a Grollscenter and each new store in Norway has a Univerncenter, which means customers can take advantage of the Group's combined offer under one roof. In 2019, three store integrations were effected in Sweden and four in Norway, which is also another way in which the entire Group offer is available in one single store.

Grolls

Grolls is a leading Nordic specialist within workwear clothing and personal protection. Under the brand, 23 Grolls stores and two independent stores trade in Sweden, seven Grolls stores in Finland and one Grolls store 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.

Grolls also trades in the form of Grollscenters, our shop-in-shop concept, which means that the Grolls range is available in a separate department in a Swedol store. There were 13 Grollscenters at the end of the year, as part of the multispecialist Swedol. Grollscenters play an important part in sales of this concept brand in addition to the dedicated stores and will continue to gain importance as more Grollscenters are integrated and new Swedol stores open.

Univern

The Univern concept brand includes ten 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.

In addition to its own stores, Univern also trades in the form of Univerncenters in Swedol stores. At the end of the year, there were three Univerncenters that are part of the multispecialist Swedol. 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.

Workwear and personal protection

Swedol's Workwear and personal protection division offers professional users a complete range of workwear and personal protective equipment. The Group's combined offer makes it one of the leading companies in the Nordic countries.

A market leader within workwear clothing and personal protection

Swedol is a Nordic market leader within workwear clothing and personal protection. The focus within our Workwear and personal protection division lies in offering customers marketleading products within the product groups Personal Protective Equipment, Footwear, Gloves, Workwear Clothing and Custom wear. Via a product range with breadth and depth, customers can take advantage of a comprehensive offer. All stores also offer services in the form of clothes printing and the logistics centers offer alteration and embroidery services along with printing.

Ensuring the best possible offer and satisfying customer requirements demands a balanced mix of own brands and external brands. The advantages of own brand products include enabling better control over the supply chain, product quality and characteristics, plus potentially higher margins, while external brands complement these with marketleading products within important areas.

As more and more Swedol stores include a Grollscenar or Univercenter, a greater number of customers have access to the Group's complete range within workwear and personal protection. The shop-in-shop concept now in all new stores and all integrated stores contributes in a natural way to increased cross sales in both directions between Workwear and personal protection and Tools and supplies.

Focus on product development and strong brands

Systematic range work is pursued within the Group to develop and strengthen the offer. Development work is mainly done at division level, within the parameters of the groupwide function Concept and range development. Consolidating workwear and personal protective equipment into one division, helps ensure range development work is pursued in a focused and targeted way. 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.

Balance is important in the range and the mix of the various product brands should complement each other to meet the needs of professional users. New products are continuously being developed and existing products updated, improved or discontinued. Product development is partly done internally and partly via partnerships with suppliers.

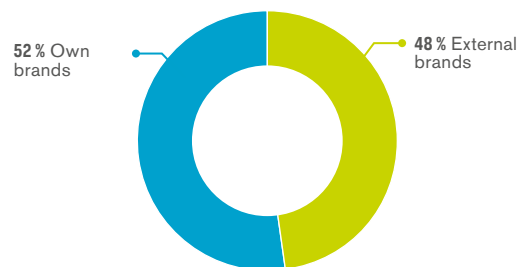
In 2019, the focus was on consolidating earlier investments and optimizing range work. By improving our processes, we have been able to make internal work more efficient and bring new products to market more quickly. We continued to implement many successful product launches under existing brands, which is a necessity within the business area due to high demands from customers for updated products in line with current fashions.

One important investment area moving forward is custom wear products which are in high demand from many of the Group's customers. Custom wear comprises a small part of division sales but offers good potential. As

1,869.3 MSEK
Revenues

51.6 %
Proportion of
group sales

Proportion of own label products



part of this investment in custom wear, Swedol has launched its own brand 1832.

Choice of materials and quality

A relatively high proportion of own brands entails increased 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. One key part of clothing product development is specification work where the material composition of the apparel is specified in detail, which affords control over content and quality. Control of the material composition assures traceability and scope for continuous improvements.

The right materials are vital for competitiveness and quality assurance. The Group is therefore investing heavily in increasing the proportion of own brand products that are certified to STANDARD 100 by OEKO-TEX® (OEKO-TEX certified). The target for 2019 was for 55 percent of all apparel to be OEKO-TEX certified and the actual figure achieved was 66 percent (46), an increase of 20 percentage points. The long-term target is for all new materials to be certified to OEKO-TEX.

To ensure the range lives up to high demands on quality, safety and content, the division works to a target of no product related deviations with regard to quality, safety or chemical content. To ensure no undesirable chemicals are found in our products, we apply a chemicals restriction list from RISE IVF.

Our own brands are largely manufactured in Asia, which entails relatively long shipping distances. To minimize the risk of apparel not living up to the requirements the Group specifies being shipped unnecessarily, external quality assurance checks are performed before any products leave Asia. By rejecting products that do not meet our specifications before they are shipped, this avoids unnecessary transport and reduces the number of claims, which makes for greater efficiency, a reduction in unnecessary costs and environment impact.

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



Björnläder

Björnläder is a premium brand within workwear. The brand dates from 1905 making it one of the oldest suppliers of workwear in Sweden. Björnläder 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

We offer a broad range of work gloves under our Balance brand. The products are characterized by quality and functionality together with value for money.

1832

Customers are offered handsome and stylish custom wear products under our newly launched 1832 brand. The range offers value for money and is designed to be customized in line with customer specifications.

Sales per product group



Personal protective equipment

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



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 clothes 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, 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 and 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 a broad range of services designed for professional users. All normal stores in the Swedol chain offer hose crimping and chain manufacture. Servicing and warranty repair of tools and machinery plus calibration of lasers and torque wrenches are managed centrally by our partner Mekina.

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 and to provide 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, external 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 product groups: Tools, Supplies and vehicle accessories, plus Farming, forestry and gardens.

Tools

One of the division's specialist areas is Tools where the Group is aiming to gain a leading role on the market.

The product category Tools can be divided into a number of sub categories, such as power hand tools that include drills, hammer drills, electric screwdrivers and sanders.

Other examples of sub categories include Equipment accessories and Hand tools such as drills, sanders, spanners, pliers and saws.

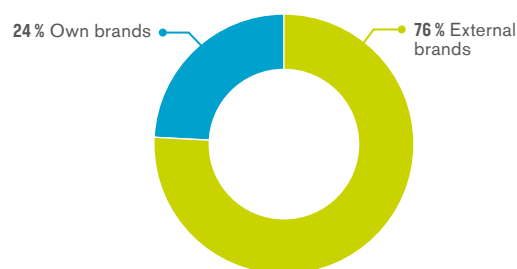
A common denominator for these different sub categories is a high quality range that includes products from many strong external brands, such as Bosch, Husqvarna, Hikoki, Milwaukee, Hultafors, Tyrolit, Bahco and Dormer.

Swedol has been working on strengthening the divi-

1,752.7 MSEK
Revenues

48.4 %
Proportion of
group sales

Proportion of own label products



sion's offer to customers within construction and industry, and fixings in particular, which is a big market and a continued target area for Swedol. These products are important for many of the Group's prioritized customer groups and are in high demand with plenty of repeat purchases by companies within construction and industry.

Supplies and vehicle accessories

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 vehicle accessories range has grown fast in recent years and within vehicle lighting, we have an own label brand Award, that has built up a complete and market-leading range in a short time.

Farming, forestry and gardens

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



High demands 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 be sold by stores.

To monitor and manage work 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

Sales per product group



Farming, forestry and gardens

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



Tools

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



Supplies and vehicle accessories

Our range includes products within fluidics, lifting and loading, oil & chemicals, electrics and plumbing, vehicle accessories and workplace equipment.

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

Nima

AmPro®

NUAIR
COMMERCIAL

AWARD

4 USE

INNO
VERKTYG MED KVALITET

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.

New common group purchasing office

Group purchasing is pursued within the category organizations by knowledgeable category managers and product managers with long experience. Swedol has had a new organizational structure in place since September 2019 where category work is coordinated under a Concept and range development office instead of within each respective division as before. This new common purchasing office makes for closer control of the processes within all the categories and facilitates further growth.

Efficient processes

Together with efficient processes, sound knowledge about ranges, certifications and suppliers is crucial in being able to best match purchasing requirements.

Purchasing work is done in groups with short decision paths which means changes in sales patterns can be picked up at an early stage and purchasing then modified accordingly. Monthly results analysis at product level enables the role each individual product plays in total sales to be analyzed. The new organization means Swedol is better able to work with sales forecasts at country level, which will reduce risk in purchasing and improve delivery dependability. 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 based to a greater extent in Europe.

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 negotiating strength. Quality, responsibility and profitability go hand in hand in long-term and close cooperation between Swedol and prioritized suppliers.

As the Group grows, the way purchasing can be done is also changing. As a larger enterprise, Swedol is in a better position to specify tougher demands and gain greater control in relationships with suppliers. In 2019, the Group started implementing a new purchase agreement and a review of all supplier relationships, a process that will continue in 2020. The number of suppliers is being reduced and Group purchasing in all countries will be consolidated



into a smaller number of agreements with better terms and conditions when it comes to price, quality and deliveries

Responsible trading

Ethical behavior and good business practice are key to Swedol's development and profitability. Swedol will not accept any form of corruption or other irregularities and adheres to the Swedish Anti-Corruption Institute code on gifts, rewards and other benefits in the enterprise sector. All trading that risks having a negative impact on confidence in the company is rejected, corresponding demands are specified on both business partners and suppliers.

To further strengthen such preventative work, Swedol intends to organize training in 2020 that focuses on anti-corruption and business ethics for employees within purchasing, IT, finance and certain sales positions. Via close cooperation with agents and business partners, Swedol takes a proactive approach to minimize risks of corruption or actions that are not in line with the code of conduct.



Responsibility in the supplier chain

Swedol's responsibilities extend further than its own 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 elevated 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.

Monitoring and cooperation

Supplier visits provide a good insight into a supplier's business and are an important part of ongoing development work. Regular third party audits are performed under the parameters of amfori BSCI, of which many are initiated by Swedol. The Group has also set a target of

organizing its own visits to all significant suppliers at least once a year, which was achieved in 2019. Which suppliers are visited, and how often, depends on the scale of their production and the risk profile of the country and specific factory.

Deviations that were identified during third party audits during the year primarily concerned excessive working hours without adequate time for rest and recovery, inadequate fire safety procedures and the health and safety of workers. 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. No supplier relationships were terminated due to deviations from the code of conduct in 2019. The most notable deviations that have been discovered during Swedol's own supplier visits have primarily concerned quality issues. For examples, there was a lack of dry rooms at suppliers in Bangladesh, now one of the largest production countries for the Group. Dry rooms are used to eliminate moisture from apparel before packing. Swedol has a project manager in place in Bangladesh to support suppliers in efforts to make ongoing improvements. With the help of Swedol's expertise and experience of dry rooms, the problems were rectified by the supplier.

» For further information on third party audits completed, the findings and actions, please see sustainability note 2

Code of conduct leads the way

The overall goal is for all group suppliers to be compliant with amfori BSCI or a corresponding third party audit. The target for 2019 was for 95 percent of all significant suppliers of Swedol own brand products to have signed the amfori BSCI code of conduct or the Swedol code of conduct for suppliers. This target was exceeded and the actual number was 97 percent.

Eventually, all Group suppliers are to have signed up to the amfori BSCI code of conduct and the Swedol code of conduct will be phased out. In 2019, the amfori BSCI code of conduct was included in Group purchasing agreements and all suppliers of own brand products have signed up to this. Efforts to persuade all existing suppliers to subscribe to the code of conduct have been intensified.

amfori @
Trade with purpose

Scalable logistics

Logistics is important for 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 in all sale channels while assuring high availability. The logistics department includes 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 distributors with products.

Centralization of logistics in Sweden

During the year, the expansion of the logistics center in Örebro proceeded according to plan, apart from initial delays that were due to surface runoff surveys that have been performed around Sweden. The expansion is expected to be completed in early 2021, as one step in the decision to concentrate the Group's Swedish logistics and further processing operations to Örebro. The aim is to make product flows more efficient, reduce costs and increase the level of service to customers. The planned expansion of the modern logistics center in Örebro 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 this centralization, logistics operations in Hisings Backa will be transferred and this center closed.

The planned expansion of the automated Autostore warehouse in Örebro was completed in November. Storage capacity has now been doubled and the number of operator gates where products are read into the system and picked has increased from 10 to 12. Autostore is approximately twice as efficient as processing products manually, which can be expected to show through once product categories gradually start to be transferred from Hisings Backa to Örebro in January 2020.

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 both within the Group and externally. The Group will have greater scope to improve control of the entire product flow, cut inventory costs, increase stock turnover ratio and optimize purchasing volumes. Customers will be offered good lead times for all the Group's markets, centralized printing, embroidering and alteration services, plus combined deliveries of orders from group concept brands.

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.

The increased digitalization of logistics, offers Swedol the opportunity to make its internal flows and processes more efficient, increase the customer benefits and create more sustainable solutions. A new transport and administration system was implemented in 2019 that will mean customers can access more information and have greater freedom of choice in terms of shipping and delivery options. Towards the end of the year, roll-out began of Swedol's collect in store solution that offers customers the choice of collecting orders directly in store.

Preparatory work has started ahead of replacing the inventory management system at the logistics center in Örebro in 2020. The new system is better suited to the large volumes associated with group growth and will enable better information flow, further improve quality of delivery and more efficient processes in Örebro, that, in turn, will result in shorter lead times to stores and external customers.

Examples of other measures that have been implemented during the year include the establishment of a



Autostore is an automated warehouse that enables compact inventory systems to be constructed. The boxes that are used as load carriers are stacked on top of each other in a 3D matrix. Wheeled robots work from the top down and lift the boxes that have been ordered by the system and transport them to picking stations.

The image depicts two newly constructed goods in ports in Autostore.



In 2019, the first shovel was put to the ground in the work of the planned expansion of Swedol's logistics center in Örebro. The modern logistics center already operates at a high level in terms of internal key performance indicators. The expansion will house both warehousing and refinement and will increase the logistics center's area from 18,500 square meters to 28,000 square meters.

The image depicts the construction of ten new gates for delivery at the automated warehouse Autostore.

bonded warehouse in Örebro, the introduction of direct flows from Swedish warehouses to stores, distributors and end customers in Norway, improved processing of return claims, plus the implementation of the same internal deviation reporting system that was already in use in Sweden, in Skedsmokorset in Norway. Added to which, Swedol has implemented efficiency improvements in processing operations in Hisings Backa and Örebro that have resulted in increased capacity for printing orders from external customers and stores.

Inventory efficiency drive

The Group stock turnover ratio was 3.7 (4.3) in 2019, which is lower than the target level of 4.5. Stock turnover ratio during the year was negatively affected by growth initiatives in new ranges and own brands.

Achieving greater inventory efficiency while maintaining the level of service is a high priority for Swedol. The Group has implemented a series of measures in 2019 that will pave the way for optimized inventory levels. A groupwide purchasing office with a unified purchasing system, together with new country oriented sales organizations will enable better forecasting and clearer analysis to support purchase planning. The new purchasing agreement that has been established during the year imposes tougher requirements on suppliers, which is expected to boost deliver dependability.

Reducing our carbon footprint

The Group's negative environment impact is largely a result of carbon dioxide emissions arising from product movements, 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 continuously looks to optimize logistics flows for both goods in and goods out. Logistics and purchasing representatives hold strategic, tactical and operations meetings, maintain an ongoing dialog with suppliers and organize at least one feedback meeting per year concerning global shipping.

To reduce carbon dioxide emissions caused by product movements, 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 from different product suppliers.

In 2019, efforts to improve purchase planning have led to delivery delays being detected at an earlier stage and the need for air freighting has accordingly been reduced. A switch to a higher proportion of rail transport has been pursued where such opportunities arise, which has resulted in a 616 percent increase in rail transport, in terms of

weight, for the Group. Rail transport has the potential to replace air, sea and road transport as a cost effective and less environmentally harmful alternative.

The Group's total amount of transport-related carbon dioxide emissions in 2019 was 2,807 ton CO₂e, a total increase of 226 ton CO₂e. This increase is a consequence of more precise calculations of carbon dioxide emissions from goods out shipments by road in relation to the comparison year at one of the Group's biggest haulage providers.

Swedol pursues continuous improvement work to increase the fill capacity in outward bound loads. Skills improving activities that operations managers and team leaders are responsible for, are an important part of this work. Fill capacity in goods in shipments has not been improved at the rate desired and as a consequence, Swedol has launched monthly analyses with the aim of steering suppliers in the desired direction.

» For further information on product transport-related carbon dioxide emissions and environment related logistics targets and actual figures, please see sustainability note 3

Logistics related environmental considerations

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.

To reduce energy consumption, the Group switched to LED lighting in 2018 at its logistics centers in Örebro and Hisings Backa. In 2019, the logistics center in Örebro used 651,383 kWh of energy, a reduction of 222,680 kWh in relation to the comparison year. This substantial drop is primarily accounted for by gaining the full effect of the switch to LED lighting during the year, although the mild winter was another contributory factor.

During the year, Swedol signed an agreement with a supplier to collect and repair empty wooden pallets from stores in Sweden and return them to the logistics center in Örebro. This has reduced the volume of waste timber by around 30 tonnes. The Group is now investigating the possibility of a similar arrangement in Norway.

Environmental and quality are key issues in the expansion of the logistics center in Örebro. The general contractor is certified to ISO 9001 and 14001 and a control plan has been created with regards to energy usage, waste management, materials usage and climate impact, for example.

Attractive employer

A strong and management by values corporate culture, clear leadership and good development opportunities are the key to knowledgeable and committed employees at Swedol.

Being an attractive employer with committed and knowledgeable employees is one of Swedol's strategic goals. To realize this strategy, as a workplace, Swedol should have a good working environment, a strong common culture, clear leadership, commitment and development opportunities.

Strong common culture

Simple, professional, heart and drive are the value words that form the basis of the Swedol corporate culture. These values act as the starting point for employees in their work, how they interact with each other and in meetings with customers and other stakeholders.

Swedol works systematically to create a values driven approach such that employees feel able to take the initiative and make their own intelligent decisions, based on this common set of values. The Group'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, business partners and the environment etc.

» For further information on Swedol's sustainability management and information on the Group's whistleblower function, please see the sustainability notes on page 74

Good understanding paves the way for improvement

Having a good understanding of employees and how they perceive their workplace and opportunities at Swedol is an important starting point in creating an attractive workplace. The Group organizes an annual employee survey containing questions such as leadership, engagement, culture, psychosocial work environment, team effectiveness and employer attractiveness. The results are taken into account in business planning and help shape new initiatives, actions and changes in target figures.

The 2019 employee survey indicates stable scores at a high level within all indices. The response rate was high at 94 percent (93). The survey shows that the level of engagement remains high, especially among managers. As in previous years, Swedol is seen as an attractive employer and the team and leadership indices remain high, however, with significant variations between different parts of the enterprise. Swedol has made good progress in those areas identified as priorities in 2018, stress levels among managers, the work environment, skills and knowledge development, where all show positive results.

Based on the 2019 results, the focus for 2020 will be, in the first instance, on those parts of the organization that have been below average for the Group as a whole for two consecutive years. These are the areas where Swedol will implement targeted actions, and monitor progress through the year.

» For further information on the employee survey results, and target levels, please see sustainability note 4



Swedol's leadership framework describes the behavior and values that leadership within Swedol shall stand for.

Clear leadership

Good, clear leadership boosts and develops employees and the organization as a whole, and is a key factor in ensuring satisfied and engaged employees.

Swedol strives to offer modern leadership based on trust, participation and commitment. The Group completed its management development program "Good Leadership" in 2019 and broadly speaking, all managers have completed the three program modules; Managing Business, Managing Others and Managing Yourself. Based on experiences from the program, Swedol has established a management framework that clarifies what management means at Swedol and what is expected of a manager in the form of desired behavior and focus. This desired management will be integrated into recruitment, induction and employee appraisals for Group managers in 2020.

As a result of this investment in management development, the findings for 2019 show that managers now possess a greater capacity to give feedback, and that certain parts of the Group have made significant positive advances when it comes to engagement and effectiveness.

Training and skills development in focus

During the year, Swedol continued its investments in training and skills development. The comprehensive investment in the Group management program has been completed and managers and Health&Safety Officers in Sweden have done an online H&S training course. A training fair was arranged in the spring together with Group suppliers, to help employees within sales in Sweden and Norway learn more about products. A corresponding knowledge development day was also held for all personnel at Head Office and at the logistics centers in Hisings Backa and Örebro.

Towards the end of 2019, the Group's code of conduct was updated and in association with this, Swedol created an online training course in the code and what it contains,



During the Swedol Knowledge Days, sales employees in Sweden and Norway gathered for a two-day training fair where they met suppliers and learned more about Group products.

that will be mandatory for all employees, starting in 2020. This updated code of conduct has a greater focus on business ethics and Swedol has created a workshop for employees within those areas where such knowledge is particularly important, such as purchasing, IT and finance.

In 2019, Swedol increased its focus on development and commitment in the annual employee performance appraisals with the aim of helping each respective employee be better able to reach agreed targets. The employee appraisals are also now more clearly linked to the Group's new management framework. In 2019, performance appraisals were held with 78 percent (76) of all employees who had been with the company for more than a year.

Thanks to the measures that have been implemented during the year, the employee survey for 2019 shows improvements when it comes to knowledge and experience exchanges. Even so, Swedol is looking to make further improvements and will continue to prioritize knowledge and skills development in 2020. One such measure is to develop our Swedol Academy online training platform.

Systematic health and safety work

Structured and systematic health and safety work is vital if Swedol is to be able to offer a safe and attractive workplace. Health and Safety training for managers and H&S Officers was established during the year that aims to make it easier to ensure a consistent approach to H&S issues in daily operations.

The comprehensive integration work over the past few years following the acquisition of Grolls has resulted in a high work load for many Group employees, with associated increased stress levels among Group managers.

In 2019, Swedol has implemented measures to help prevent stress and an imbalance between requirements and resources that can arise following organizational changes. An interdepartmental working group has reviewed risks in stores, logistics and in offices and has developed common new tools for health and safety work within the Group.

The biggest physical occupational health and safety risks for Swedol employees are linked to the Group's logistics centers. As part of preventative work, monthly H&S inspection rounds are performed along with regular risk audits. In addition, the logistics centers have incident reporting systems that are regularly assessed. A comprehensive risk assessment was performed during the year in association with the expansion of our Autostore automated warehouse.

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

Diversity and equal opportunities

Diversity and equal opportunities are an important element in work to strengthen Swedol's corporate culture. Within Swedol, everyone should be equally valued, irrespective of gender, age, ethnicity or sexual orientation. Historically speaking, the sector in which Swedol operates has been male-dominated. The aim in 2019 was for at least one in five store managers to be female. This target was achieved and today, 23 percent of store managers are female. The aim is to further increase this number in 2020.

Swedol actively works to promote and increase diversity and equal opportunities. In 2019, our focus lay on increasing awareness of the importance of diversity and equal opportunities within the organization. The new H&S course for managers and H&S Officers clarifies the Group's aims and trains managers in how they can promote inclusiveness, counter violations of integrity and what they should do in the event of any such violations. In addition, a dialog on equal opportunities and diversity issues has been included in H&S inspections and on H&S committee agendas. This dialog includes discussions on what supports and hinders diversity and equal opportunities respectively and what can be done locally and centrally to improve this.

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

Equipped for future challenges

Acquisitions and store openings impose tough demands on both our culture and leadership and require clear processes for integration and knowledge transfer. Investments during the year in leadership and a strong common culture have played an important part in the work Swedol is doing to continuously strengthen the structural capital of our growing organization. This work will continue in 2020 with the focus on strengthening core processes such as the recruitment and induction of new employees.

The pending merger of logistics operations in Sweden means a big change and brings certain challenges with it. In order to prevent gray areas that can lead to anxiety among those employees affected, Swedol is focusing on clear and transparent communication. The logistics center in Hisings Backa possesses key know-how within the Group's embroidering and custom wear services. Swedol has therefore taken steps to ensure know-how transfer on the relocation.

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 47.6 percent during the year and finished the year at SEK 46.35.

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 46.35 per share on 30 December 2019, the last trading day of the year. Since the flotation in June 2006, Swedol shares have risen 362.5 percent. Over the same period, the OMX Stockholm PI-index has risen by 129.7 percent. Swedol shares traded at a highest price of SEK 46.40 (in November) and a lowest price of SEK 31.05 (in January) for the year. The share price rose 47.6 percent in 2019 while the OMX Stockholm PI-index rose by 29.6 percent. If Swedol A shares are assumed to have the same value as the B shares, the company had a market capitalization of MSEK 3,856 at the end of 2019.

Trading and turnover

Swedol B shares (SWOL B) are listed on the Nasdaq Stockholm and traded on the Mid Capt list. During the year, 38,276,775 B shares were traded, which corresponds to a share turnover ratio of 47.0 percent, based on the total number of B shares outstanding. The number of settlements for the year was 51,700 with an average daily volume amounting to 153,722 shares. Of the total trading in the shares, 79.5 percent were done on the Nasdaq Stockholm and the remainder on alternative markets, such as Cboe BXE and Turquoise.

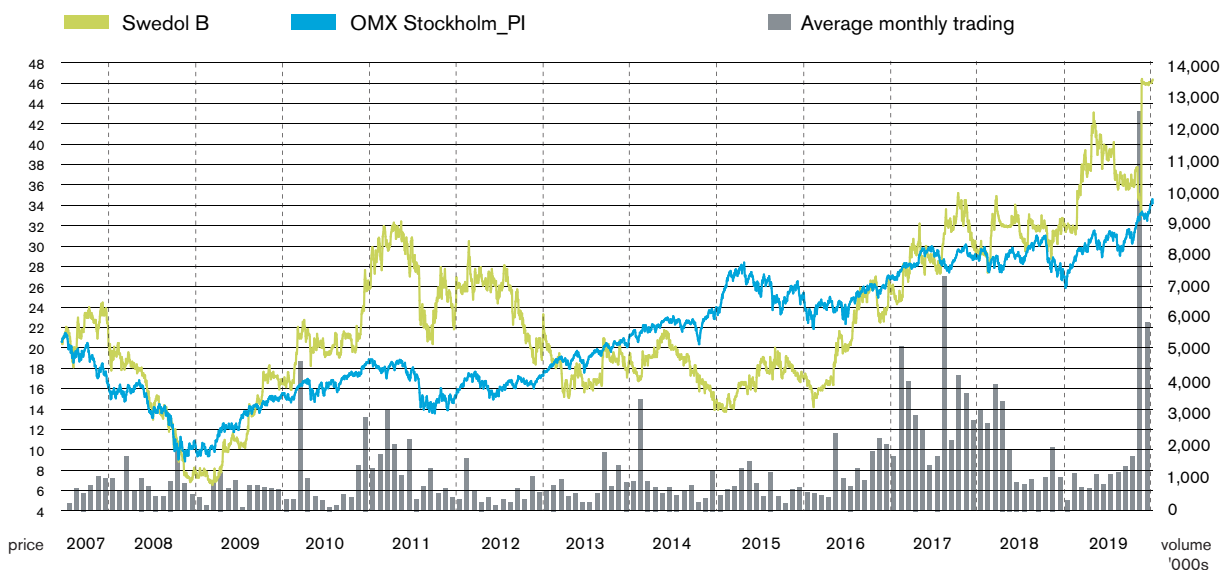
Dividend

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 (1.20) per share for 2019. The total dividend would therefore amount to MSEK 99.8 (99.8) This proposed dividend amounts to 42.1 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 Björnkåder 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. Effective 30 September 2016, the total number of shares was 83,200,000.

Swedol shares 2007-2020



Source: WebfinancialGroup

Shareholders

At year end, There were 4,546 Swedol shareholders, which is a reduction of 16.4 percent compared to one year earlier. The ten largest shareholders at the same time, accounted for 84.9 percent (88.3) of the capital and 87.4 (90.3) percent of the voting rights.

Tender offer from Momentum

On 11 November 2019, the Momentum Group submitted a tender offer to shareholders in Swedol to transfer their shares in Swedol to the Momentum Group ("The Offer").

The Momentum Group has offered shareholders in Swedol the choice of cash payment or payment in shares. For each A and B share in Swedol respectively, a cash payment of SEK 46.50 per share is offered, or alternatively a share exchange of 0.40 of a new B share in the Momentum Group for each A and B share in Swedol respectively.

The independent tender committee unanimously recommends that Swedol shareholders accept the cash payment alternative of SEK 46.50 per share, which is also supported by a so-called fairness opinion from Pareto Securities AB. The largest shareholder, Nordstjernan AB, that represents approximately 67.0 percent of the shares and approximately 72.4 percent of the voting rights, has undertaken to accept the offer and is choosing a share exchange. The acceptance period for the tender opened on 17 December and closed after an extension on 20 March 2020, with a reservation for possible further extensions.

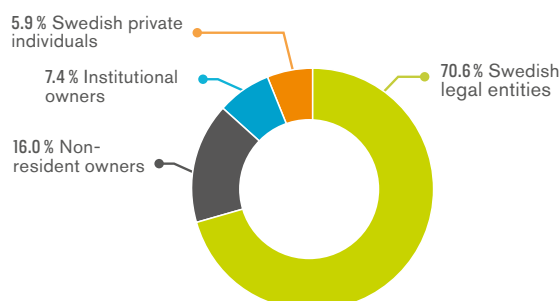
Swedol B (SWOL B) at 2019-12-31

Beta value	0.55
Volatility, %	33.45
Dividend yield, %	2.59 ¹
Total return, %	50.20 ¹
P/E	16.26
EV/Sales	1.34 ²
P/B	2.74
Earnings per share, SEK	2.85

¹ Proposed dividend.

² From 2019 inclusive lease liabilities are included in net debt because due to the transition to IFRS 16.

Swedol's ownership categories at 2019-12-31



The 10 largest shareholders in Swedol at 2019-12-31

	A shares	B shares	Share of capital	Share of votes
Nordstjernan AB	1,820,000	53,925,800	67.0 %	72.4 %
RBC Investor Services Bank S.A	-	2,291,714	2.8 %	2.3 %
BNY Mellon SA/NV	-	2,229,856	2.7 %	2.2 %
FW Förvaltning (Zelda AB)	-	2,200,000	2.6 %	2.2 %
Handelsbanken fonder*	-	1,885,860	2.3 %	1.9 %
HSBC Bank PLC	-	1,847,991	2.2 %	1.9 %
SEB Investment Management	-	1,426,328	1.7 %	1.4 %
Merrill Lynch Professional Clearing Group	-	1,270,370	1.5 %	1.3 %
Danica Pension	-	874,522	1.1 %	0.9 %
Försäkringsaktiebolaget Avanza Pension	-	863,230	1.0 %	0.9 %
Total 10 largest shareholders	1,820,000	68,815,671	84.9 %	87.4 %
Other shareholders	-	12,564,329	15.1 %	12.6 %
Total	1,820,000	81,380,000	100.0 %	100.0 %

* Includes Handelsbanken Sverige Index Criteria.

Swedol's ownership structure at 2019-12-31

Shareholding	Number of shareholders	A shares	B shares	Share of capital	Number of votes	Share of votes
1-500	3,198	-	386,466	0.6 %	386,466	0.5 %
501-1,000	537	-	406,238	0.7 %	406,238	0.6 %
1,001-5,000	586	-	1,256,797	2.2 %	1,256,797	1.8 %
5,001-10,000	91	-	633,334	1.1 %	633,334	0.9 %
10,001-15,000	26	-	328,861	0.6 %	328,861	0.5 %
15,001-20,000	18	-	322,338	0.5 %	322,338	0.4 %
20,001-	89	1,820,000	78,046,560	94.4 %	96,246,560	95.3 %
Total	4,46¹	1,820,000	81,380,000²	100.0%	99,580,594	100.0%

¹ Includes difference regarding exceeded reporting of 1 by trustee.

² Includes difference regarding exceeded reporting of -594 by trustee.

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.

A 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. The spread of COVID-19 is an example of a risk for the global economy that can adversely impact demand.

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.

D 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.

E 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.

Risk management

Swedol works to create a safe, fair and diversified workplace 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.

F 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.

H 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.

I IT-risk

Swedol's business is dependent on a functioning systems environment and appropriate procedures that are developed in line with the business. Operating interruptions, potential

cyber attacks and outages in checkout, e-commerce and logistics and stock management systems, would have a direct impact on operations 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, for example, unauthorized access, cyber attacks and loss of information is reduced.

J 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.

K 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.

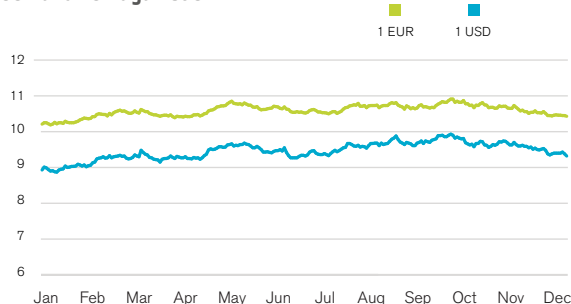
L Ethical risks

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

USD and EUR against SEK



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	69.0
Currency		
-USD	+/- 5 percent	27.5
-EUR	+/- 5 percent	6.5
Personnel costs	+/- 5 percent	36.4

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

zero tolerance approach to corruption. Swedol requires all employees, business partners and suppliers to act in accordance with its code of conduct. All employees take 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.

M 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.

N 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.

O Liquidity risk

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

Type of risk	Risk	Probability (1-5)	Impact (1-5)
Strategic risks	A Economic cycle risks and external risks	5	5
	B Structural risks	3	3
Operational risks	C Acquisition and integration risk	3	4
	D Risks in sales and operating margin	4	2
	E Risks in the organization	3	3
	F Risks in the goods flow	3	4
	G Risks in inventory	3	2
	H Waste	4	2
	I IT risk	2	5
	J Product risks	2	3
	K Responsibility in the supplier chain	3	3
	L Ethical risks	2	3
	Finance-related risks	M Wage inflation in manufacturing countries	5
N Commodity prices		4	3
O Liquidity risk		2	2
P Interest rate risk		3	1
Q Currency risk		5	3
R Write down of intangible assets		2	4

Risk management

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

P Interest rate risk

At the end of 2019 interest bearing net liabilities amounted to MSEK 1,006.6. 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 3.5, including effects from IFRS 16.

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.

Q 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.

R 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.

Risk management

Swedol monitors relevant circumstances related to the business and the general state of the economy, and the possible impact such circumstances can have for the valuation of the Group's goodwill and other intangible assets.

Swedol's risks





Claes Samsgard – Keller Grundläggning

Claes is workshop manager at Keller Grundläggning and his responsibilities include purchasing for the workshop that is done centrally. Keller Grundläggning has its head office in Lindome and is the Swedish branch of the Keller Group, the world's largest geotechnical contractor with a presence in over 40 countries. The company also has an office in Stockholm and a Norwegian branch with an office in Oslo, that report to the head office in Lindome. The business has around 75 employees and plant and machinery at worksites across the entire Nordic region and in countries such as England and Poland.

What do you buy from Swedol?

We buy all sorts of products from Swedol, everything from hand tools and cold saws to shelves and cabinets. But our biggest purchases are oils and different kinds of tools. Our employees operate machinery at construction sites around the country and we need things to keep this machinery in operation. We buy clothing, footwear and protective equipment at Grolls.

How do you make your purchases?

That depends on the type of purchase it is. Most are regular repeat purchases that are ordered via our customized online store. Swedol has helped us develop a range that is ideal for us. I can order products centrally via the system or individual employees can go in and place an order themselves. All employees have an account at the online store and can log in and order what they need. Being able to order products for delivery straight to them makes life so much easier than having to do this via us at the workshop. And at a central level, it enables us to keep better track of exactly what has been ordered by each individual employee.

In the case of something not in the standard range, I get in touch with Albin at Swedol, and he is always able to arrange this. Certain purchases are easiest to do by the guys out on site going to a store themselves and collecting the products that are needed immediately.

Do you use any services?

We always use the clothes printing service and we also sometimes crimp hoses and calibrate torque wrenches. We have also used the chain workshop. The range of services is good to be able to use but they are mostly a complement to our main purchases.

What is the most important factor when you choose products?

I would say a combination of several factors. Operating reliability is fundamental, if the tools don't work and our machinery is out of service, this can cause us big losses. The products must also meet health and safety requirements for the sake of our employees on site as well. These are the most important factors. Service is also incredibly important, that we are able to resolve possible problems in a simple way, and that we avoid spending time on things that are not part of our core business. Obviously, price is also important, but if the service and quality are not good enough, this will prove expensive for us in the end.

What would you say is the best thing about Swedol?

The service and that we can always find what we need. We always have a good, easy and smooth dialog. Mostly with Albin at Swedol, and if there are any glitches, he helps fix them. And sometimes it can be with Andreas at Grolls for certain types of clothing and protective equipment. They help us in a good and professional way so we at Keller can focus on our own work.

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

Swedol's corporate governance is about ensuring the company is managed in a sustainable, responsible and most efficient way possible. This covers the establishment of an efficient organizational structure, systems for internal control and risk management plus transparent internal and external reporting. Governance of Swedol is based on the Swedish Companies Act, the Nasdaq Stockholm Regulations for issuers and the Swedish Code for Corporate Governance (The Code).

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

Please see the Swedol website www.swedol.com for more information on Swedol's corporate governance, such as the articles of association, documents from AGMs and the Group code of conduct

Shareholders' voice at annual general meetings

Shareholders can exercise their rights to resolve on decisions concerning Swedol's business at the AGM. There are no restrictions on shareholder rights in the articles of association nor, to the best of the company's knowledge, in shareholder agreements. There is no mandate to the board from the AGM to resolve on the issuing of new shares or the buyback of shares.

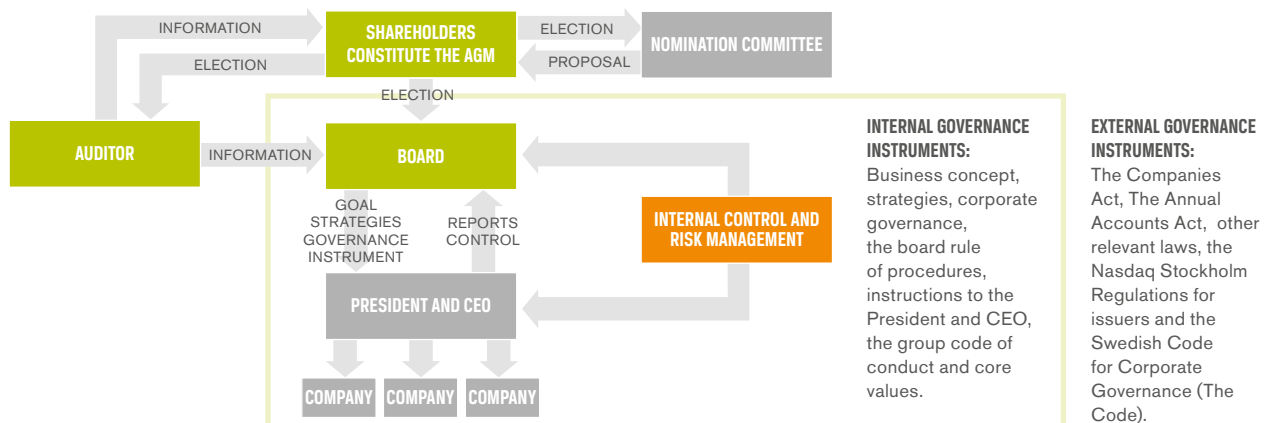
Resolutions at the AGM are normally determined by simple majority vote. However, in the case of certain issues, the Swedish Companies Act prescribes that proposals are to be approved by a larger majority than the shareholdings represented at the meeting and votes cast.

2019 AGM

The 2019 Swedol Annual General Meeting was held on 25 April 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 2018
- Dividend of SEK 1.20 (0.90) per share, in accordance with the board proposal
- Re-election of board members Lars Lindgren, Peter Hofvenstam, Christina Åqvist, Leif Reinholdsson, Sofie Löwenhielm and Staffan Andersson
- Election of Lars Lindgren as chair of the board
- Re-election of KPMG AB as audit company for one year with Helena Arvidsson Ålgne as audit manager
- Board fees totaling SEK 1,575,000 to be distributed as follows:
 - SEK 450,000 to the chair of the board
 - SEK 225,000 each to the other board members
- Guidelines for remuneration to senior executives, in accordance with the board proposal, see page 41

Corporate governance



- Guidelines for the appointment of the nomination committee ahead of the 2020 AGM with the following main content:
 - The nomination committee is to comprise representatives of the three largest shareholders by voting rights according to the Euroclear Sweden register per the last banking day of September 2019
 - 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

The nomination committee

The nomination committee ahead of the 2020 Annual General Meeting has, in accordance with the guidelines for the nomination committee, resolved by the 2019 AGM, consisted of the following representatives of the three largest shareholders by voting rights in the company as of the last banking day of September 2019: Carl Engström (Nordstjernan AB), Lilian Fossum Biner (Handelsbanken Fonder), and Rolf Zetterberg (FW Förvaltning AB). At the nomination committee constitutive meeting of 2 December 2019, it was resolved to appoint Lilian Fossum Biner as chair of the nomination committee.

Nomination committee duties ahead of the 2020 AGM

The nomination committee has been tasked with developing proposals to 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.

Diversity on the board

The board of Swedol should have appropriate combined expertise 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 nomination committee assesses that the proposed board, in overall terms, has appropriate expertise and experience for the business that is pursued and to be able to identify and understand the opportunities and risks that the business entails. In 2019, female representation on the board was 20 percent (3/3).

Board composition and attendance

AGM elected board members	Elected year	Independent		22 Jan	14 Feb	20 Mar	25 Apr ¹	25 Apr	14 Jun	23 Jul	23 Sep	24 Oct	18 Dec
		Independent in relation to the company and company management	Independent in relation to larger shareholders										
Lars Lindgren	2015 Chair 2017	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Peter Hofvenstam	2015	Yes	No	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Christina Åqvist	2015	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Leif Reinholdsson	2015	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sofie Löwenhielm ²	2017	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	—	—	—
Staffan Andersson	2018	Yes	Yes	✓	✓	✓	✓	✓	✓	—	✓	✓	—

¹ Constituent board meeting

² Sofie Löwenhielm resigned from the Board at her own request on July 24, 2019.

Nomination committee ahead of the 2020 AGM

Members	Appointed by shareholder	Shareholder voting rights, % 2019-09-30
Carl Engström	Nordstjernan AB	72.4 %
Lilian Fossum Biner	Handelsbanken Fonder	6.3 %
Rolf Zetterberg	FW Förvaltning AB	2.2 %
Total		80.9 %

The role of the board

The most important tasks of the board include acting in the best interests of the company and its shareholders, 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 and ensure the company complies with applicable legislation, the articles of association and the Swedish Code for Corporate Governance.

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 expands 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 and at least once a year, the board should meet the company's auditors without the presence of company management.

Work done by the board during the year

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, expertise 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 April 2019, 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 one extraordinary board meeting. The CEO and CFO, who also acts as secretary of the board, participate in board meetings. Other company officials participate as necessary to report on specific matters. Please see illustration below for further information on this work.

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 2019, group management consists of the CEO, two country 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.

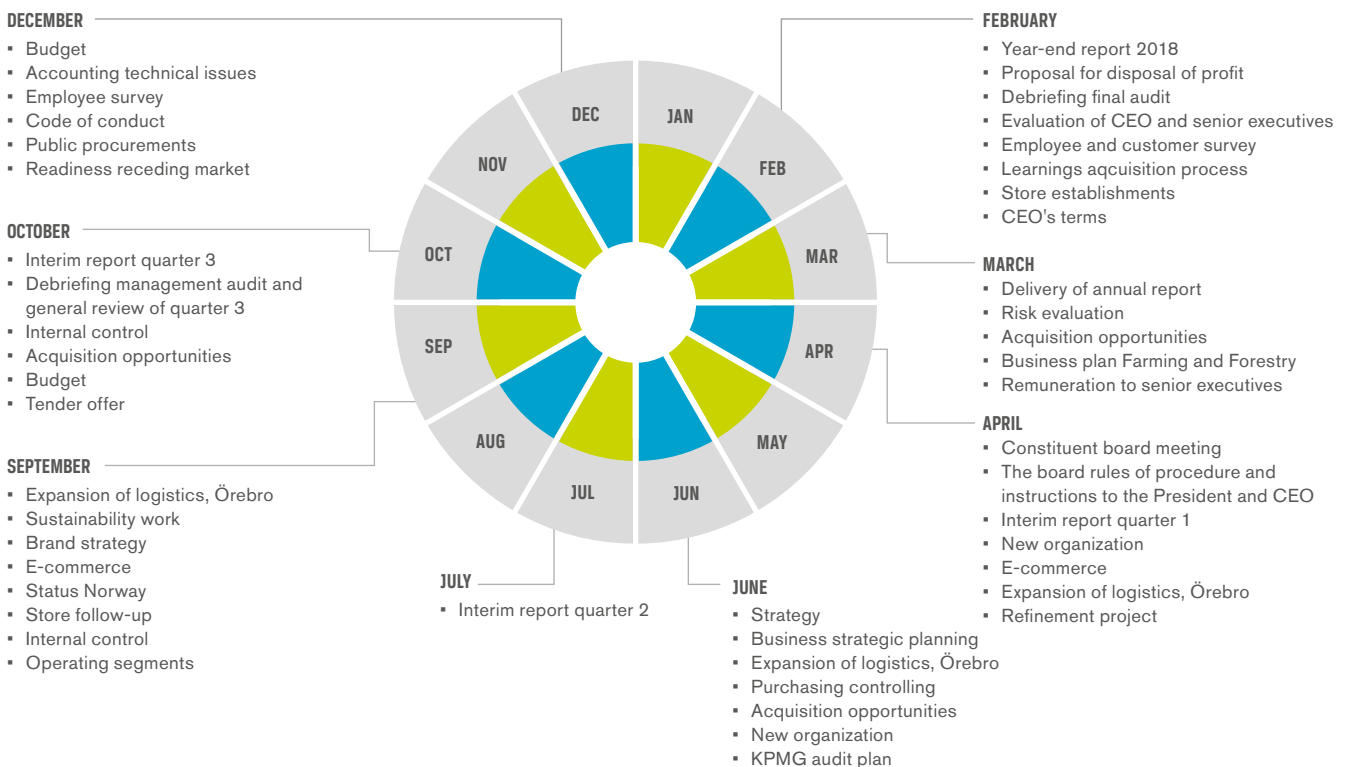
Auditors

The AGM appoints auditors each year. KPMG was reelected as auditors to the end of the 2020 AGM. KPMG is represented by audit manager certified accountant Helena Arvidsson Älgne. For information on fees to auditors, see note 5.

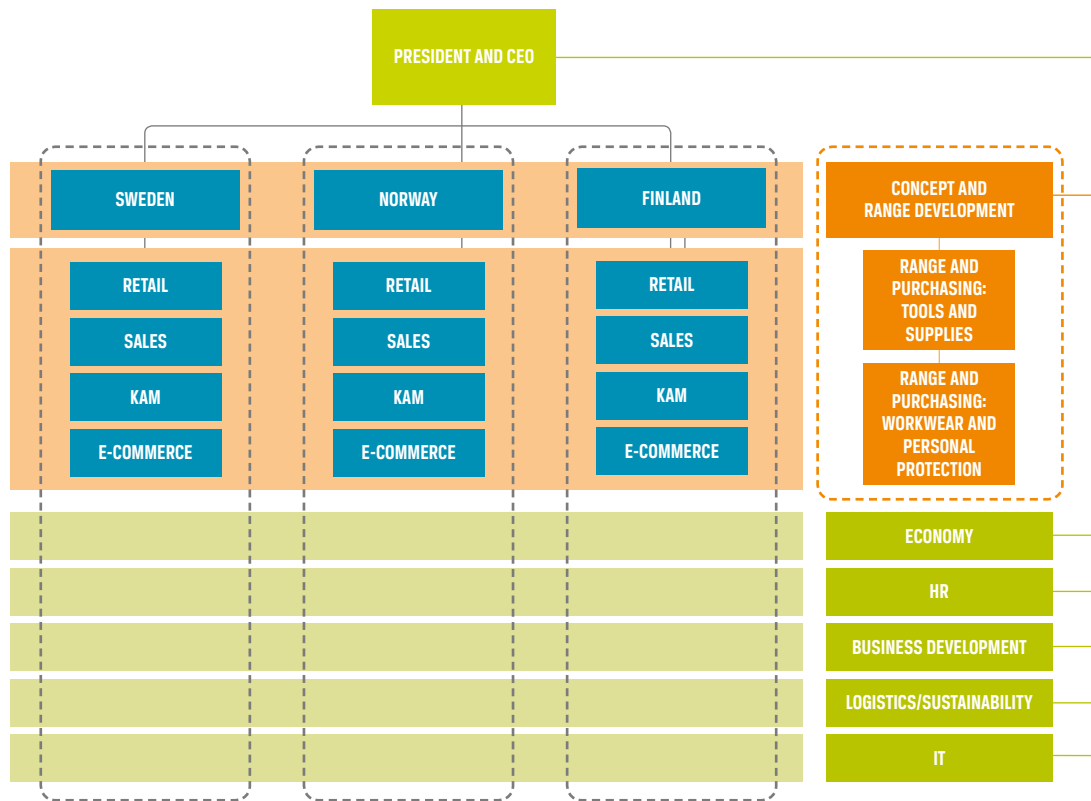
Shareholders

For information on the shares and shareholders, please see pages 24–25.

The board's work 2019



Swedol's organization



Swedol has a clear growth strategy and since 1 September 2019, is organized by country with a clear commercial focus. The various sales channels, through which Swedol interfaces in different ways with customers physically or digitally, are coordinated within each respective country. Ranges and purchasing are combined in a groupwide office for concept and range

development. The groupwide offices support the country organizations and assure a common structure and common processes that create synergies and economies of scale. Group management consists of the CEO, heads of the groupwide support offices, the head of Concept and range development, plus the country managers for Sweden and Norway.



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 guidelines 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 base their communications and actions. 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, together with legislation and regulations, primarily consist of the board's rules of procedure, Swedol's finance policy, policy for stock market information, attestation and delegation rules, plus an accounts manual that defines accounting and reporting rules and procedures and minimum requirements for good internal control concerning financial reporting.

The board's rules of procedure and associated instructions to the CEO, assure a clear demarcation of roles and responsibilities to enable efficient management of these internal controls and risks to the business. Responsibility for maintaining an effective control environment and overseeing daily operations related to internal control and risk

management is delegated to the CEO.

The CFO has overall responsibility for coordinating, managing and monitoring internal control work related to financial reporting to ensure this is done in the way resolved by the board. The CFO is also responsible for ensuring each respective main process has a process owner with responsibility for this. Responsibility for a process includes ensuring both good efficiency and good internal control. The process owner is to identify and resolve any inadequacies in their process and ensure any such inadequacies identified and resolved are reported to the CFO. The CFO is also responsible for ensuring that accounting and reporting within the Group are done in accordance with applicable legislation and norms, and that new standards and interpretation comments are implemented in a correct way.

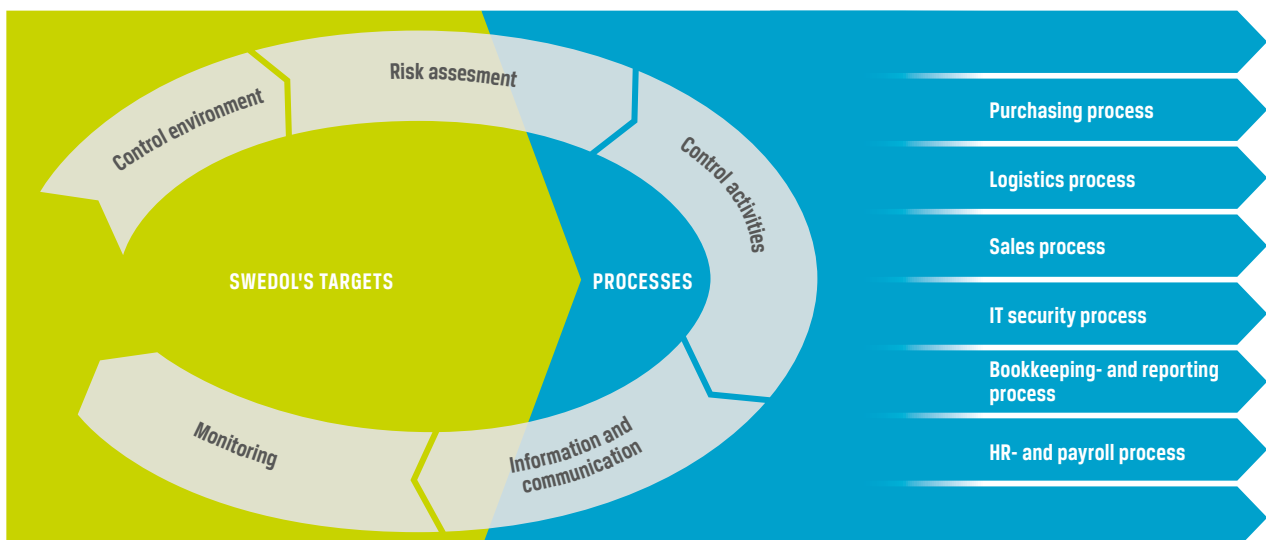
The CFO actively seeks to ensure that the company has personnel with the right expertise in all (financial) key positions and that there are procedures to ensure that such persons in (financial) key positions have the knowledge and experience required. Where necessary, external expertise is commissioned to illuminate issues such as within accounting, tax and legal matters.

Risk Assessment

Risk assessment is a dynamic process to identify, evaluate and prioritize risks that can affect the Group's opportunities to achieve its targets. Swedol works continuously and actively to survey, assess and manage those risks the Group is exposed to. The assessment of each respective risk is based on probability and impact on a five-point scale.

The risk assessment includes identifying risks that

Internal control within processes



can arise if the basic requirements on financial reporting (completeness, accuracy, valuations and reporting) in the Group are not satisfied. The risk assessment also covers the risk of loss or embezzlement of assets.

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 to address this. The internal control environment is structured to reduce the risks that have been identified to a level acceptable to group management. The assessed risks at year end are reported on pages 26–28.

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 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 the auditors.

Activities 2019

Swedol's main activities within internal governance and control and risk management in 2019 are summarized below:

- Coordination of the Group's business systems in Norway
- Integrated transaction based reporting for Norway in Sweden and established a Nordic shared service center (SSC)
- Continued implementation of the updated COSO framework from 2013 including review of Group governance documents
- Integration of acquired companies into Swedol's processes concerning work on internal governance and control plus risk management
- Further development of the Group's group consolidation tools
- Updating and reviewing policies and manuals

Focus 2020

In 2020, 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 Finland
- Integrated transaction based reporting for Finland in established Nordic shared service center (SSC)
- Complete risk analysis of IT and update control activities for IT security processes and assure continuity management in the event of a possible cyber incident
- Updating and reviewing policies and manuals

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 19 March 2020

The board

For comments by the auditor on the corporate governance report, see page 73.

The board



Lars Lindgren

Born: 1975.

Elected: Board member since 2015. Chair since 2017.

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.

Independent in relation to the company and company management: Yes.

Independent in relation to larger shareholders: Yes.



Peter Hofvenstam

Born: 1965.

Elected: Board member since 2015.

Education: MBA at Stockholm School of Economics.

Other posts: CEO of Nordstjernan since 2019, Deputy CEO 2000–2019. 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.

Independent in relation to the company and company management: Yes.

Independent in relation to larger shareholders: No.



Christina Åqvist

Born: 1978.

Elected: Board member since 2015.

Education: LLB from Uppsala University and economics studies.

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

Background: CEO and President 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 and company management: Yes.

Independent in relation to larger shareholders: Yes.



Leif Reinholdsson

Born: 1953.

Elected: Board member since 2015.

Education: Certified market economist with additional studies in company management and board work.

Other posts: Board member of Sandryds Group AB and ACG Gruppen and their subsidiary companies.

Background: Chair of the board of Canvac AB, CEO and 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 Järna AB/Ferro AB.

Shareholding: 13,000 B shares.

Independent in relation to the company and company management: Yes.

Independent in relation to larger shareholders: Yes.



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: Chief Commercial Officer of Sector Alarm Group AS.

Background: CEO Beijer Tech AB, Senior Vice President Bain Capital, CEO Skydda PPE AB, Vice President and COO B&B Tools Markets AB, Manager Bain & Company.

Shareholding: 2,222 B share.

Independent in relation to the company and company management: Yes.

Independent in relation to larger shareholders: Yes.

Group management



Clein Johansson Ullenvik

President and CEO
Born: 1966.
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, Promera Yrkeskläder AB, IP Hjelte AB and Arne Blom Marknads AB.
Shareholding: 165,400 B shares and 76,805 B share options.



Irene Wisenborn Bellander

CFO
Born: 1973.
Employed since: 2017.
Education: Master's degree in Business and Economics from Karlstad University, Executive Management Program at Stockholm School of Economics.
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, IP Hjelte AB and Arne Blom Marknads AB.
Shareholding: 4,500 B shares.



Håkan Wanselius

Head of Concept and range development
Born: 1962.
Employed since: 2014.
Education: Marketing at post-secondary level.
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: Chair Swedol Förvaltning AB.
Shareholding: 33,776 B shares and 12,801 B share options.



Pontus Glasberg

Head of Logistics, Quality and Sustainability
Born: 1978.
Employed since: 2013.
Education: Technology and economics at Örebro University.
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.



Ann Gårdmark

Head of HR
Born: 1966.
Employed since: 2019.
Education: Master's degree in Business and Economics from Växjö University, MBA from Henley Business School.
Background: Leading HR positions at Electrolux, Finansinspektionen and SAS, consultant in Talent management, positions in finance and marketing at Electrolux.
Shareholding: No shares.



Peter Söderberg

Head of Business Development
Born: 1973.
Employed since: 2016.
Education: MSc in Industrial Economics at Royal Institute of Technology.
Background: Management consultant and partner Occam Associates AB 2002–2016, Management consultant The Boston Consulting Group AB 1999–2002.
Other posts: Board member Univern Solutions AS.
Shareholding: 20,000 B shares.



Magnus Landgård Lyckman

Country director of Sweden
Born: 1976.
Employed since: 2011.
Education: High school economist with supplementary sales, leadership and financial education.
Background: Head of division Workwear and personal protection 2018–2019, Retail Manager Swedol AB 2014–2018, Sales Manager Swedol 2011–2014, Sales Manager Ejendals AB 2008–2011, Sales Manager 2006–2008, Regional Manager and Key Account Manager Fristads 2002–2006.
Shareholding: 7,000 B shares.



Gunstein Lauvrak

Country director of Norway
Born: 1970.
Employed since: 2018.
Education: War school and business economist at BI Norwegian Business School.
Background: Administrative director ASSA ABLOY Entrance Systems AS, Retail sales director Ramirent AS and commercial leadership roles i Wittusen & Jensen. Officer in the Norwegian army.
Other posts: Board member Univern Solutions AS.
Shareholding: 3,200 B shares.



Ulf Eriksson

Chief Information Officer
Born: 1964.
Employed since: 2017.
Education: Biochemistry at Uppsala University.
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.

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 1-Jan-19 to 31-Dec-19. 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 store and e-commerce concepts Swedol, Grolls and Univern. 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 distributors.

The Swedol offer contains an attractive range within tools, supplies, workwear 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 2019, 11 (5) new stores were added, including five via acquisition. Seven store integrations were also completed during this time. At the end of the year, there were 103 (99) stores, 75 (72) in Sweden, 18 (19) in Norway, 9 (7) in Finland and 1 (1) in Estonia.

Swedol faces competition on a local, national and international level in all its customer groups. Group competitors consist of industry and construction oriented chains with a presence on one or several of its geographic markets, plus local independents. Swedol's competitors are primarily oriented to business customers.

Growth continued to be good within all customer groups and geographic markets in 2019, despite an increasing slowdown in demand on the market and an unusually mild winter. The slowdown primarily affected Sweden in the fourth quarter. 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 completed four acquisitions via business combinations during the year, two in Sweden, one in Norway and one in Finland. Five new stores were added via acquisitions.

Four new stores were opened in Sweden and two new stores in Norway. Added to which, seven stores were integrated in line with the Group's new store concept.

Coordination of logistics

Preparatory work ahead of concentrating all logistics operations in Sweden via the expansion of the logistics

center in Örebro proceeded according to plan, other than an initial delay caused by a drawn out planning permission process. The planned expansion of the automated Auto-store warehouse in Örebro was completed in November. 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 product flow more efficient.

Scalable platform

In Norway, the implementation of a common IT and business system, price system and a simplified legal structure was completed. The same structure is already in place in Sweden.

Organizational structure

On 1 September, Swedol implemented changes to the Group's overall organizational structure. The sales organization in each respective country is now coordinated under a country manager. The two divisions, Tools and supplies, and Workwear and personal protection are now coordinated under a new office, Concept and range development. In association with this, Swedol amended its financial reporting in line with the new organizational structure and switched to reporting operating segments in accordance with the new country organizations; Sweden, Norway plus Finland and the Baltic region.

Tender Offer

On 11 November the Momentum Group submitted a tender offer to shareholders in Swedol. For each A and B share in Swedol respectively, a cash payment of SEK 46.50 per share is offered or alternatively a share exchange of 0.40 of a new B share in the Momentum Group for each A and B share in Swedol respectively.

Sales and results

Sales amounted to MSEK 3,622.1 compared to MSEK 3,241.3 during the corresponding period last year, an increase of 11.7 %. Organic growth amounted to 4.9 percent, of which 2.8 percent is attributable to comparable units. Net sales per division were MSEK 1,869.3 (1,689.8) for Workwear and personal protection and MSEK 1,752.7 (1,551.5) for Tools and supplies respectively.

Sales by sales area¹:

MSEK	2019	2018	Change
Sweden	2,740.8	2,584.9	6.0 %
Norway	609.5	534.8	14.0 %
Finland	242.6	94.7	156.1 %
Estonia	29.2	26.9	8.6 %
Total	3,622.1	3,241.3	11.7 %

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

The sales growth of 11.7 percent was as follows:

MSEK	Change local currency
Comparable units*	2.8 %
Other units in local currency	8.6 %
Foreign exchange gain/loss	0.3 %
Total	11.7 %

* 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 1,462.4 (1,324.2) with a gross margin of 40.4 percent (40.9). Higher commodity prices, shipping, currency effects and the proportion of sales outside Sweden also had an adverse impact on gross margin, but were offset by price adjustments implemented and an increased share of own brands.

The proportion of operating costs, excluding items affecting comparability, of revenues increased by 0.3 percentage points, mainly as a consequence of growth initiatives implemented.

Depreciation and disposals for the period amounted to MSEK 250.2 (62.1) of which MSEK 177.1 is attributable to depreciation of right of use assets and the implementation of IFRS 16.

Operating profit amounted to MSEK 336.0 (325.3) and operating margin was 9.3 percent (10.0), which includes items affecting comparability related to acquisitions, costs associated with the Momentum Group tender offer for Swedol, integration work and management changes of MSEK 16.6 (11.6). Excluding items affecting comparability, operating margin was 9.7 (10.4) percent. The improved profit can primarily be attributed to volume growth but was impacted by costs related to expanding our store network, e-commerce and acquisition activities.

MSEK 283.8 (271.7) of operating profit was attributable to segment Sweden, MSEK 19.0 (37.9) to segment Norway and MSEK 29.3 (15.7) to segment Finland and the Baltic region, respectively. When broken down by division, MSEK 172.2 (168.2) was attributable to our Workwear and personal protection division and MSEK 159.8 (157.1) to our Tools and supplies division. The remaining MSEK 4.0 making up the operating profit of MSEK 336.0 relates to implementation of IFRS 16. Operating profit in Norway has been negatively affected by an unfavorable customer and product mix and higher costs in association with the implementation of a groupwide IT system.

Spot prices for the most important currencies were on average 9.46 for USD, 10.59 for EUR and 1.07 for NOK compared to 8.69, 10.26 and 1.07 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

Cashflow from operating activities for the period January – December 2019, amounted to MSEK 306.2 (264.5). The implementation of IFRS 16 affected cashflow from operating activities positively by MSEK 170.4. The implementation of IFRS 16 affected cashflow from financing activities negatively by MSEK -170.4. Cashflow from investment activities amounted to MSEK -179.9 (-178.8). The acquisitions of De Facto Yrkeskläder AB and Karl S Hanssen AS

were completed in the month of January, assets and liabilities transfer of two stores from Wizard Marketing Systems Oy in June and the acquisition of IP Hjelte AB in October. Together, they affected cashflow from investment activities in the comparison period by MSEK -63.4 (-111.9). For details of the acquisitions, see note 11.

A dividend of MSEK 99.8 (74.9) was paid in the second quarter.

Inventory increased compared to the same period in the previous year to MSEK 1,012.7 (820.8), driven by acquisitions, new store openings, growth investments in new ranges and own brands, currency and an increased level of service. The 12-month rolling average inventory turnover ratio was 3.7 (4.3) at the end of the period. Improving inventory efficiency while retaining the level of service is a high priority. The merger of the Group's logistics services in Sweden to Örebro will contribute to this.

Cash and cash equivalents amounted to MSEK 40.3 (234.1). At the end of the reporting period, available cash and cash equivalents including an unutilized credit facility amounted to MSEK 309.0 (534.1). Interest-bearing liabilities totaled MSEK 1,046.9 (545.6). The Group thus had an interest-bearing net liability of MSEK 1,006.6 (311.1). Liquidity in the current period has been affected by the dividend payment of MSEK 99.8 (74.9), and the paying down of bank debt by MSEK 80.1. At the end of the reporting period, equity ratio amounted to 44.3 percent (49.6), which is in line with the Group target of at least 30 percent.

During the period January to December 2019, investments in non-current assets excluding acquisitions and right of use assets, amounted to MSEK 116.5 (66.9). Of these, around MSEK 32 is attributable to IT investments including e-commerce. Other investments were primarily attributable to store related investments, the refurbishment of stores in line with the new store concept and the start of the expansion of the central warehouse in Örebro.

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 2019, the number of shareholders was 4,546 compared to 5,440 one year previously. The ten largest shareholders at that same time, accounted for 84.9 percent (88.3) of the capital and 87.4 (90.3) percent of the voting rights. See page 25 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 the company. Nordstjernan's holding corresponds to 67.0 percent of the outstanding shares and 72.4 percent of the votes in Swedol.

On 11 November 2019, the Momentum Group submitted a tender offer to shareholders in Swedol to transfer their shares in Swedol to the Momentum Group. The Momentum Group has offered shareholders in Swedol the choice of cash payment or payment in shares. For each A and B share in Swedol respectively, a cash payment of SEK 46.50 per share is offered, or alternatively a share

exchange of 0.40 of a new B share in the Momentum Group for each A and B share in Swedol respectively.

The cash payment corresponds to a premium of 34.7 percent compared to the volume weighted average price paid for Swedol B shares in the 30 trading days before the bid and a premium of 39.0 percent on the closing price of Swedol B shares on 8 November 2019. The share payment corresponds to a premium of 21.2 percent based on the volume weighted average price paid for Swedol B shares in the 30 trading days before the bid and the closing price of Momentum Group B shares on 8 November 2019, and a premium of 25.1 percent on the closing price of Swedol B shares and Momentum Group B shares respectively on 8 November 2019.

The independent tender committee that has been established, has unanimously recommended that Swedol shareholders should accept the cash payment alternative of SEK 46.50 per share, which is also supported by a so-called fairness opinion from Pareto Securities AB.

Nordstjernan AB has undertaken to accept the tender and to choose payment in shares.

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 buyback 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 2019, was 1,098 (982), of which 395 (352) were women. The number of employees, expressed as full-time equivalents, at the end of the year was 1,091 (1,041). For more information on employees, see pages 22–23 and notes 4 and 6.

Parent company

The legal structure has been simplified via fusions in Sweden, Norway and Finland in the period 2017 to 2019. The Group consists of the Parent Company Swedol AB and its wholly owned subsidiaries, Swedol Förvaltning AB (556711-0068), Grolls Oy (1085452-8), Swedol AS (991 446 567), Metaplan Oy (0141269-9), Promera Yrkeskläder AB (556725-6671) and IP Hjelte AB (557264-9656). The Group consists of nine Swedish and international subsidiary companies in total. 80 percent (84) of the Group's net sales were generated by Swedol AB in the period January–December 2019. During the period, the Parent Company sold goods and services to Group companies for a combined total of MSEK 148.1 (109.1).

Seasonal variations

Sales have historically exhibited certain seasonal variations. In the 2019 calendar year, 48 percent (48) of invoicing was generated in the first half and 52 percent (52) in the second half of the year, with a heaviest weighting in the final quarter which accounted for 29 percent (30) of total revenues 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 26–28. For a description and quantification of financial risks, see pages 27–28 and note 15.

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 has a broad range spanning the majority of product categories with 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 30 percent equity ratio. The Swedol dividend should amount to 30–50 percent of the Group's profit after tax. The equity ratio target has been revised down from 40 percent in 2019 in the light of the introduction of IFRS 16.

Board work and corporate governance

The Swedol board has five members, elected at the 2019 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 30–35.

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 does not pursue environmentally harmful activities but is anxious to minimize any damaging effects on the environment. The companies have a duty to report business activities related to electronics waste. In the case of electrical and electronics waste, the companies work closely with local organizations on their respective markets. Swedol is also a member of the Swedish recycling organization FTI, a packaging and newsprint collection service. In the case of chemicals imports, the companies report such to the equivalent of the Swedish Chemicals Agency on each respective market. The companies do not otherwise pursue any business activities that must be registered or licensed according to the Environment Code. Areas where Swedol assesses opportunities to impact the environment in a positive direction include choice of chemicals, logistics optimization and helping customers reduce their own environment impact. Swedol is certified to ISO 14001:2015.

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 application 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, our sustainability reporting is separated from the management report, and integrated into the annual report activity report on pages 3–6, 12, 14–23 and 26–28 and in sustainability notes and the GRI index on pages 74–79. The risk analysis concerning sustainability issues is included in the combined risk section on pages 26–28

Board proposal for guidelines on remuneration to senior executives

The board proposes that the 2020 AGM resolve that the following guidelines on remuneration to senior executives should apply until the 2021 AGM unless circumstances arise that mean a review must be done earlier.

The guidelines cover the CEO and other executives who are members of the company's management group. Remuneration included in the guidelines should cover salary and other emoluments to senior executives. Remuneration is equated with the transfer of securities and granting of the right to acquire securities from the company in the future. Remuneration resolved by the AGM is not covered by these guidelines.

How the guidelines affect business strategy, long-term interests and sustainability

For information on Swedol's business strategy, please see pages 4–5 of the 2019 Annual Report.

The board proposal for guidelines on remuneration to senior executives is structured to protect the best interests of the company and shareholders. Remuneration to senior executives aims to attract, motivate and retain talented and highly qualified personnel in key positions in Group management. The right incentives mean the company will be better able to achieve its business strategy and long-term interests in the form of growth, profitability and sustainability.

Assessments should be based on position, competence and performance. The results should relate to both the performance of the individual and the general performance

and future prospects of the company.

Different forms of remuneration

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. The remuneration that is offered consists of fixed salary, variable cash bonus, pension benefits and other benefits.

Payment of the variable cash bonus requires meeting criteria that should be able to be measured over a period of 12 months. The variable cash bonus is based on quantitative and qualitative targets and can amount to a maximum 60 percent of fixed salary in the period, including pension contributions and holiday pay, but excluding social insurance costs.

Pension contributions paid by the company for defined contribution pension plans for senior executives are in line with the ITP plan except for the CEO who has an individual pension plan that amounts for 25.1 percent of fixed monthly salary.

Other benefits offered are of a normal non-monetary kind such as a company car and company healthcare.

Termination of employment

Notice to terminate employment from the company's side may be no longer than three to six months. The fixed monetary salary during the notice period may not exceed a combined total corresponding to six months fixed salary for the CEO and six months for other members of group management. The notice period may not exceed three months, in exceptional cases six months, when notice is given by the executive. Severance pay ought not arise whether notice is given by the company or the executive.

Salary and employment terms and conditions for employees

Salary and employment terms and conditions for company employees have been taken into account when preparing these compensation guidelines by data on total employee compensation, components of compensation and increases in compensation and the rate of such increases over time providing part of the decision-making support data for the board when evaluating how reasonable the guidelines are and any limitations that follow from them. The compensation report that is produced with regard to payments made and compensation outstanding that are covered by the guidelines, will report the gap between executive pay and that of other employees.

Decision-making process for establishing, reviewing and implementing guidelines

The board is to appoint a remuneration committee whose principal duties are to help inform the board and offer recommendations on issues such as remuneration principles, remuneration and other employment terms and conditions for senior executives. The remuneration committee should also monitor and evaluate current and completed programs for variable payments to company management. They should also monitor and evaluate the application of the guidelines for remuneration to senior executives that the AGM is legally required to resolve on together with the applicable remuneration structures and salary levels in the company.

The Swedol board has resolved that the board shall not appoint a 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 Swedish

Code for Corporate Governance, are incumbent on a remuneration committee.

The board is to produce proposals for new guidelines at least every four years and present proposals to the AGM for resolution. When the board discusses, and resolves on, remuneration related issues, the CEO or other persons in company management, are not to be present in the event such issues concern them.

Departure from the guidelines for remuneration

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, and that such a departure is necessary in the long-term interests and sustainability of the company or to secure the financial viability of the company.

Description of significant changes to the guidelines

A review of the guidelines has been performed in the light of the new content requirements in the Swedish Companies Act (ABL) 8 chap 51–53 §§ and 7 chap 61 §. The aim of these changes to the ABL is to ensure shareholders have the opportunity to influence the parameters for remuneration to senior executives in order to create a healthy remuneration culture in the best long-term interests of the company. The guidelines provide a framework within which remuneration to senior executives is to be kept, the intention is such that the decision-making rights of the board on remuneration issues should not be changed towards earlier guidelines. The revised guidelines more clearly explain how they contribute to the company's business strategy, long-term interests and sustainability plus how remuneration and employment terms and conditions for company employees have been taken into account when developing the guidelines.

With the exception of the revisions stated above, the guidelines are in line, to all intents and purposes, with the guidelines that were approved at the 2019 AGM.

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 (1.20) per share for the year. The total dividend would therefore amount

to MSEK 99.8 (99.8) This proposed dividend amounts to 42.1 percent of the company's net profit. The present capital structure and profitability are assessed as 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. Total funds available for dividends in the parent company amount to MSEK 1,002.3 (947.0) and the Group has an equity ratio of 44.3 percent (49.6). At the end of the year, available cash and cash equivalents including an unutilized credit facility amounted to MSEK 309.0 (534.1).

Proposal for disposal of profit

The following funds are at the disposal of the AGM:

SEK	
Retained earnings	848,037,654
Profit for the year	154,262,687
Total	1,002,300,341

The board and CEO propose that the available funds of SEK 1,002,300,341 be disposed as follows:

SEK	
<i>Dividend to shareholders</i>	
SEK 1.20 per share	99,840,000
Carried forward to new account	902,460,341
Total	1,002,300,341

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 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 2019, the parent company has made Group contributions of MSEK 1.5 (0.0). With regard to the Group's equity ratio, this amounts to 44.3 percent (49.6) before the dividend and 42.5 percent (47.5) after the dividend. This is assessed as being an 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	2019 ¹	2018
Revenues	2, 7	3,622.1	3,241.3
Cost of goods sold	4, 7, 8	-2,159.6	-1,917.1
Gross profit		1,462.4	1,324.2
Other revenues	3	29.0	20.9
Sales costs	4, 6, 8	-1,027.5	-902.9
Administration costs	4, 5, 6, 8	-127.9	-116.9
Operating profit		336.0	325.3
Financial income	9	5.3	4.0
Financial costs	9	-32.8	-12.0
Profit/loss from financial items		-27.4	-8.0
Profit/loss before tax		308.6	317.3
Income tax	10	-71.6	-65.0
Profit/loss for the year		237.0	252.3
Other comprehensive income for the year:			
<i>Posts that can come to be reclassified onto the income statement:</i>			
Translation differences on foreign business		16.0	-1.2
Cash flow hedges	15	-0.0	-1.5
Deferred tax related to cash flow hedges		0.0	0.3
<i>Items that will not be reclassified to income statement:</i>			
		-	-
Other comprehensive income for the year, net after tax		16.0	-2.4
Total comprehensive income for the period		252.9	249.9
Earnings per share, before and after dilution (SEK)		2.85	3.03
Number of shares at the end of the year	20	83,200,000	83,200,000
Average number of shares at the end of the year, before and after dilution	20	83,200,000	83,200,000

¹ Effective 1 January 2019, the Group applies IFRS 16 Leases. The transition has been made with the aid of the simplified method, which means the comparison figures have not been recalculated. The effects of this on the balance sheet, income statement and key figures for 2019, are presented in note 29.

Group statement of financial position

MSEK	Note	2019-12-31 ¹	2018-12-31
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	11, 12	401.7	363.8
Brands	11, 12	246.7	246.7
Customer relations	11, 12	94.7	91.7
Other	11, 12	52.8	42.4
Total intangible assets		795.9	744.6
Tangible non-current assets			
Right of use assets	8	581.1	-
Property, plant & equipment	13	119.2	118.9
Inventories	13	173.4	135.7
Total tangible non-current assets		873.8	254.6
Financial non-current assets			
Deferred tax receivables	10	9.3	4.3
Total financial non-current assets		9.3	4.3
Total non-current assets		1,678.9	1,003.5
Current assets			
Inventory	18	1,012.7	820.8
Current receivables	16, 17	316.6	331.4
Current tax receivables	10	2.4	0.1
Derivative instruments	15, 16	1.0	1.6
Prepaid expenses and accrued income	19	130.2	141.5
Cash and cash equivalents	15, 16, 24	40.3	234.1
Total current assets		1,503.3	1,529.5
TOTAL ASSETS		3,182.2	2,533.0
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity (attributable to parent company shareholders)			
Share capital	20	12.5	12.5
Other contributed capital		340.6	340.6
Reserves		-2.3	-18.2
Retained earnings		1,057.7	920.6
Total shareholders' equity		1,408.6	1,255.5
Non-current liabilities			
Non-current lease liabilities ^r	8	381.6	-
Non-current interest-bearing liabilities	16, 21	377.2	465.5
Deferred tax liabilities	10	161.1	145.8
Total non-current liabilities		920.0	611.4
Current liabilities			
Accounts payable	15, 16, 22	340.1	311.4
Current lease liabilities	8	176.4	-
Current interest-bearing liabilities	15, 16, 21	111.6	80.0
Other current non-interest bearing liabilities	16, 22	73.8	71.6
Derivative instruments	15, 16	3.6	3.5
Accrued expenses and prepaid income	23	142.2	151.7
Current tax liabilities		5.9	48.0
Total non-current liabilities		853.6	666.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,182.2	2,533.0

¹ Effective 1 January 2019, the Group applies IFRS 16 Leases. The transition has been made with the aid of the simplified method, which means the comparison figures have not been recalculated. The effects of this on the balance sheet, income statement and key figures for 2019, are presented in note 29.

Group statement of changes in shareholders' equity

MSEK	Note	Share capital	Other contributed capital	Retained earnings including profit/loss for the year	Reserves	Shareholders' equity
Shareholders' equity 1 January 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	20	12.5	340.6	920.6	-18.2	1,255.5
Shareholders' equity 1 January 2019		12.5	340.6	920.6	-18.2	1,255.5
Comprehensive income						
Total profit for the year				237.0		237.0
Other comprehensive income						
Translation differences on foreign business					16.0	16.0
Cash flow hedges after tax					-0.0	-0.0
Transactions with owners						
Dividend				-99.8		-99.8
Shareholders' equity 31 December 2019	20	12.5	340.6	1,057.7	-2.3	1,408.6

Group statement of cash flow

MSEK	Note	2019 ¹	2018
OPERATING ACTIVITIES			
Profit before tax		308.6	317.3
Adjustment for items not included in cash flow	24	296.0	59.9
Change in operating capital			
Change in inventory		-174.2	-101.2
Change in receivables	17	1.7	-20.2
Change in liabilities		1.0	66.1
Cash flow from operations		433.1	321.9
Net interest		-17.3	-9.8
Tax paid		-109.5	-47.6
Cash flow from operating activities		306.2	264.5
INVESTMENT ACTIVITIES			
Investments in intangible assets	12	-34.0	-30.2
Acquisition of subsidiaries	11	-63.4	-111.9
Acquisition of other non current assets	12, 13, 24	-82.4	-36.7
Cash flow from investment activities		-179.9	-178.8
FINANCING ACTIVITIES			
Received loans	21	31.4	-0.3
Repayment of loans		-80.1	-80.0
Repayment of lease liabilities		-172.2	-
Dividend paid		-99.8	-74.9
Cash flow from financing activities		-320.8	-155.2
Cash flow for the year		-194.4	-69.5
Cash and cash equivalents at start of the year	24	234.1	303.6
Exchange rate difference in cash and cash equivalents		0.6	-
Cash and cash equivalents at start of the year	24	40.3	234.1

¹ Effective 1 January 2019, the Group applies IFRS 16 Leases. The transition has been made with the aid of the simplified method, which means the comparison figures have not been recalculated. The effects of this on the balance sheet, income statement and key figures for 2019, are presented in note 29.

Parent company income statement

MSEK	Note	2019	2018
Net sales	2, 7	2,896.2	2,717.3
Cost of goods sold	4, 7, 8	-1,758.6	-1,626.4
Gross profit		1,137.5	1,090.9
Sales costs	4, 6, 8	-823.8	-776.2
Administration costs	4, 5, 6, 8	-94.9	-92.5
Other operating income	3	31.1	20.5
Other operating costs		-	-
Operating profit		250.0	242.7
Other interest income and similar income	7, 9	19.3	14.3
Interest expenses and similar costs	9	-18.5	-19.6
Profit/loss after financial items		250.7	237.3
Appropriations	10	-48.5	-56.4
Profit before tax		202.2	180.9
Tax on profit for the year	10	-47.9	-41.7
Profit/loss for the year		154.3	139.2

Statement of comprehensive income parent company

MSEK	Note	2019	2018
Profit/loss for the year		154.3	139.2
<i>Posts that can come to be reclassified onto the income statement:</i>			
Translation differences		0.3	-
Cash flow hedges	15	0.8	-1.5
Deferred tax related to cash flow hedges		-0.2	0.3
<i>Items that will not be reclassified to income statement</i>			
Other comprehensive income for the period, net after tax		0.9	-1.1
Total comprehensive income for the period		155.1	138.1

Parent company balance sheet

MSEK	Note	2019-12-31	2018-12-31
ASSETS			
Non-current assets			
Intangible non-current assets			
Goodwill	11, 12	159.0	168.5
Brands	11, 12	129.3	145.7
Customer relations	11, 12	37.5	39.9
Other	11, 12	44.7	42.0
Total intangible non-current assets		370.5	396.1
Tangible non-current assets			
Propert, plant & equipment	13	26.4	27.2
Inventories	13	146.4	114.7
Total tangible non-current assets		172.8	141.9
Financial non-current assets			
Shares in group companies	14	465.0	436.5
Receivables in group companies	7	194.7	144.0
Deferred tax receivables	10	2.8	2.4
Total financial non-current assets		662.4	582.8
Total non-current assets		1,205.7	1,120.8
Current assets			
Inventory			
Finished goods and merchandise	18	781.8	635.3
Prepayments to suppliers	18	34.5	36.1
Total inventories		816.4	671.4
Current receivables			
Account receivables	7, 16, 17	251.0	285.7
Current tax receivables		2.0	-
Prepaid expenses and accrued income	19	110.1	98.6
Derivative instruments	15, 16	1.0	0.9
Total current receivables		364.1	385.2
Cash and bank	15, 16, 24	8.8	210.9
Total current assets		1,189.3	1,267.5
TOTAL ASSETS		2,395.0	2,388.3
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		0.2	-0.7
Balanced profits		544.9	505.5
Profit for the year		154.3	139.2
Total unrestricted equity		1,002.3	947.0
Total shareholders' equity		1,018.0	962.7
Untaxed reserves	10	398.5	351.4
Non-current liabilities			
Debt to credit institutions	21	382.7	465.5
Deferred tax liabilities	10	35.1	39.4
Total non-current liabilities		417.8	504.9
Current liabilities			
Debt to credit institutions	15, 16, 21	111.4	80.0
Accounts payable	7, 15, 16	301.5	277.3
Current tax liabilities		-	40.4
Derivative instruments	15, 16	2.8	3.5
Accrued expenses and prepaid income	23	108.9	117.6
Other liabilities	22	36.1	50.5
Total current liabilities		560.7	569.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,395.0	2,388.3

Parent company statement of changes in shareholders' equity

MSEK	Note	Restricted shareholders' equity			Unrestricted shareholders' equity		Balanced result	Profit for the year	Shareholders' equity
		Share capital	Reserve fund	Premium fund	Fair value fund				
Shareholders' equity 1 January 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	0.0	
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	20	12.5	3.2	303.0	-0.7	505.5	139.2	962.7	
Shareholders' equity 1 Januari 2019		12.5	3.2	303.0	-0.7	505.5	139.2	962.7	
Dividend						-99.8		-99.8	
Transferred on new account						139.2	-139.2	-	
Translation difference on foreign operations					0.3			0.3	
Cash flow hedges after tax					0.6			0.6	
Profit for the year							154.3	154.3	
Shareholders' equity 31 December 2019	20	12.5	3.2	303.0	0.2	544.9	154.3	1,018.0	

Parent company statement of cash flow

MSEK	Note	2019	2018
OPERATING ACTIVITIES			
Profit before tax		250.7	237.4
Adjustment for items not included in cash flow	24	103.9	82.4
Change in operating capital			
Change in inventory		-141.7	-90.0
Change in receivables		23.1	-15.1
Change in liabilities		-8.3	81.5
Cash flow from operations		227.7	296.2
Interest received		0.6	3.7
Interest paid		-7.6	-9.8
Tax paid		-95.9	-39.1
Cash flow from operating activities		124.8	251.0
INVESTMENT ACTIVITIES			
Investments in subsidiaries	11	-44.2	-102.6
Lending to subsidiaries		-49.7	-22.9
Investments in intangible assets	12	-26.3	-25.5
Acquisition of other non-current assets	11, 12, 24	-59.2	-31.6
Cash flow from investment activities		-179.4	-182.6
FINANCING ACTIVITIES			
Acquired liquid funds for merger		4.1	-
Change in credit facility		31.4	-
Repayment of loans		-81.7	-80.2
Group contribution made		-1.5	-
Dividend paid		-99.8	-74.9
Cash flow from financing activities		-147.6	-155.1
Cash flow for the year		-202.2	-86.7
Cash and cash equivalents at start of the year	24	210.9	297.6
Exchange rate difference in cash and cash equivalents		0.1	-
Cash and cash equivalents at end of the year	24	8.8	210.9



Sustainability notes

ABOUT THE SUSTAINABILITY REPORT

For Swedol, driving the business forward based on a sustainable business model is both a strategic and important choice. Sustainability is therefore 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, product movement related carbon dioxide emissions, 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 at Core application level. A complete GRI index can be found on pages 78–79 and on the Swedol website. The GRI index provides general information and specific information that Swedol has identified as material to report, and references where in the report such information can be found. Swedol is continuously working to further develop its sustainability work and the report itself. In order to be able to present a full report, data collection from some areas is still required along with certain other work.

The previous year's sustainability report was published on 20 March 2019. No material changes have occurred in the organization or supplier chain in 2019 that have affected the reporting of metrics. Work on gathering sustainability data from the organization has been made more efficient during the year via the introduction of a common reporting tool. 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, services and business. 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 Communication on Progress (COP).

SUSTAINABILITY GOVERNANCE

The Swedol board has ultimate responsibility for the Group's sustainability work. The management group sets out the Group's positions in policies concerning quality and environment work, health & safety and purchasing. Group management regularly monitors groupwide sustainability work but strategic and operational responsibility for sustainability issues resides with each respective operations manager and the Quality and Sustainability Department that also coordinates this work.

The Group code of conduct established by the board is key to the management of sustainability work. The code of conduct, which is based on the 10 UN Global Compact Principles, guides employees, members of the board and contracted personnel in how they are expected to conduct themselves in areas

such as human rights, working conditions, the environment and business ethics. Each business unit, support function and subsidiary company is responsible for implementing the code of conduct in their business operations. All managers are responsible for ensuring their employees are aware of the code of conduct, understand it and work in accordance with it.

In late 2019, the Group code of conduct was updated with the aim of further developing the content and include the Group's progress towards the global goals for sustainable development that have been identified as particularly relevant for the Group. In association with this, Swedol created an online training course in the code of conduct and what it contains that is mandatory for all employees, starting in 2020.

In the event of knowledge or suspicions of serious breaches of the code of conduct or illegal or unethical behavior committed by persons in executive positions, the Swedol whistleblower service can be used. Serious breaches can concern irregularities that have occurred or are planned, and that can damage Swedol's business or 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 code of conduct includes directions for how employees, customers, suppliers, business partners and other stakeholders should contact the whistleblower service. No cases were reported to the Group whistleblower service in 2019.

Swedol is still a member of the global amfori Business Social Compliance Initiative (amfori BSCI) that works to ensure responsible supplier chains. Via membership, Swedol has access to 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 amfori 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. Swedol AB is certified to the management systems ISO 9001:2015 for quality and ISO 14001:2015 for the environment. These management systems ensure that business activities are pursued in accordance with specific procedures and provide support for employees in daily operations. The systems also contribute to additional customer and stakeholder benefits and to reduce the Group's environment impact.

Swedol supports Agenda 2030 in its entirety. In order to identify business related synergies between our business strategies and the realization of the Global Compact goals, Swedol audited its operations in relation to these global goals in 2018. In 2019, work to integrate these important sustainability issues into Swedol's business planning intensified via clearer processes and divisions of responsibilities. These issues are directly linked to one or several of Swedol's strategic goals and are a key part of the work we are doing to contribute to the Agenda 2030 goals.

» Swedol policy documents and code of conduct are available at www.swedol.com/hallbarhet/certifikat-policys-och-redovisningar/



STAKEHOLDER DIALOG AND 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 the most important material issues within the Group's sustainability work.

Swedol's materiality analysis is validated annually via new stakeholder

dialogs and risk analyses. In addition to the regular dialog with the Group's stakeholders, interviews with suppliers were also performed in 2019. Customers were also asked questions about Swedol's sustainability work in association with the annual customer survey. Altogether, the stakeholder dialog further supported the conclusion that structured work with chemicals, anti-corruption issues and helping customers reduce their own environment impact are key issues in Group sustainability work. Together with an analysis of external factors, risks and opportunities, the stakeholder dialog has meant that the materiality analysis performed previously has been able to be validated. These important sustainability issues have been duly noted by the board and form the basis for the content of the sustainability report.

» Swedol's material sustainability issues are presented on page 4

Swedol's stakeholders and channels for dialog

	Channels for dialog	Most important sustainability issues for stakeholders
CUSTOMERS 	<ul style="list-style-type: none"> Daily contact in stores, via field salespersons and orders department Procurement Annual CSI surveys 	<ul style="list-style-type: none"> Customer Service Attractive employer Product liability Diversity and equal opportunities Working conditions/human rights in the supplier chain Chemicals
EMPLOYEES 	<ul style="list-style-type: none"> Appraisal talks and personal meetings Employee survey Training 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Shareholder policy and articles of association Regular reporting and board meetings Regular contact with analysts and investors 	<ul style="list-style-type: none"> 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 Anti-corruption
UNIONS 	<ul style="list-style-type: none"> Regular meetings with the two unions (Swedol in Sweden) Regular meetings with the Workplace Environment Committee (Swedol in Norway) Site visits by local representatives 	<ul style="list-style-type: none"> Attractive employer Leadership Training and skills Occupational Health & Safety Diversity and equal opportunities
SOCIETY 	<ul style="list-style-type: none"> Membership of sector organizations Contact with public authorities Business intelligence 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Supplier meetings Daily contact via purchasers Trade fairs and business travel Product training 	<ul style="list-style-type: none"> Product liability via quality and safety Logistics optimization Working conditions/human rights in the supplier chain Anti-corruption Chemicals Support customers in reducing their own environment impact

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

Swedol's general goal is to avoid any deviations with regard to quality and safety or chemical content linked to the Group's products. A number of products have been identified for additional checks with the aid of a preparatory analysis method.

A total of 44 random sample checks for chemicals in products were performed in 2019. In addition to which, seven chemical tests were also performed on the random samples for further analysis where the need arose. Three of the products tested contained more than 0.1 percent by weight of substances on the candidate chemicals list in the Reach Regulation.

Two products were removed on account of their chemical content but have since been included in the range again, one after further testing was performed and the other after the content was adjusted.

H2 SUPPLIER MONITORING

Third party audits

Regular third party audits are performed at factories where Swedol own brand products are manufactured to check compliance with the code of conduct. Which suppliers are audited, and how often, depends on the scale of their production and the risk profile of the country and specific factory.

In 2019, ethical audits were performed at supplier factories in China, Bangladesh, Pakistan, India, Tunisia and Laos. Altogether, 53 of the factories belonging to Group suppliers of Swedol own label products and own brands had valid third party audits. Of these, 31 were at suppliers of workwear and personal protection and 22 at supplies of tools and supplies.

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.

Deviations that were identified during third party audits during the year primarily concerned excessive working hours without adequate time for rest and recovery, inadequate chemicals handling and fire safety procedures, plus inadequate use of appropriate personal protective equipment. Deviations are addressed sharply and clear follow-up plans including actions have been established and are checked.

H3 CARBON DIOXIDE EMISSIONS FROM TRANSPORTS

Reducing carbon dioxide emissions caused by product shipments is a prioritized issue for Swedol.

In 2019, Swedol set a target that tons CO₂e/MSEK cost of goods sold should not exceed 1.3, which was higher than in 2018, when the target was 1.5. The actual figure was 1.3 CO₂e/MSEK (1.4), which meant the target was achieved. The total amount of carbon dioxide emissions caused by transport in 2019 was 2,582 tons CO₂e which was a total increase of 226 tons CO₂e compared to 2018. The Group's carbon dioxide emissions from goods in fell during the year due to less air freighting and more rail transport. This increase in total carbon dioxide emissions was due to an increase in carbon dioxide emissions reported from goods out shipments by road. The reason for this was that one of the Group's biggest haulage contractors has produced more precise calculations compared to the previous year.

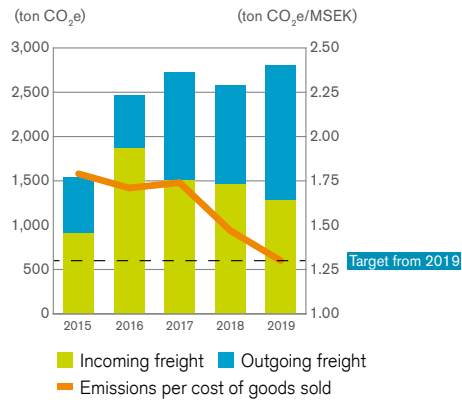
Swedol's transport suppliers register and report carbon dioxide emissions for all transport. For goods inward by sea, rail and road, the calculations are based on the European standard EN 16258:2012 and include the entire transport chain. Goods inward and outward by road include several transport suppliers, 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.

Carbon dioxide emissions from transports

Ton CO ₂ equivalents, transports	2019	2018*	2017
Goods inward sea, air and rail freight	1,020	1,333	1,259
of which goods inward by sea	875	715	735
of which goods inward by air	113	615	516
of which goods inward by rail	32	3	8
Goods inward by road	260	132	242
Goods outward by road	1,526	1,116	1,224
Transports total	2,807	2,581	2,725

* During 2018 one transport supplier was not able to disclose their emission factors, which is why 118.7 tons of outward goods only refers to carbon dioxide CO₂.

Transports



H4 EMPLOYEES

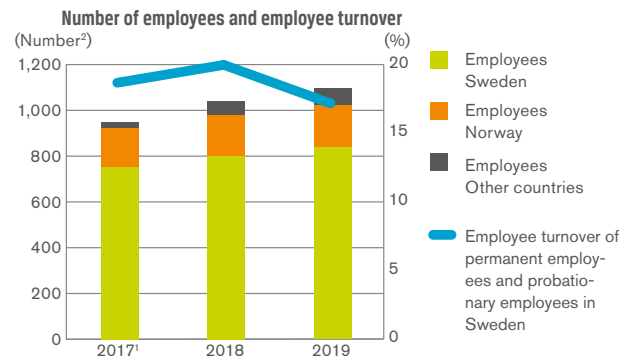
Number of employees and employee turnover

The number of employees expressed as full time equivalents at the end of 2019 amounted to a combined total of 1,090 (1,041) in the Group, of which 832 (800) in Sweden, 182 (177) in Norway, 63 (55) in Finland and 13 (9) in Estonia.

Employee turnover in 2019 was 14.6 percent in the Group, 17.0 percent (19.8) in Sweden, 4.6 percent in Norway, 1.6 percent in Finland and 0.0 percent in Estonia. Employee turnover for men in the Group was 14.9 percent and 13.7 percent for women.

The number of new employees in 2019 was 237 for the Group in total, of which 160 (150) in Sweden, 67 in Norway, six in Finland and four in Estonia.

Comparison figures for new employees and employee turnover can only be reported for Sweden.



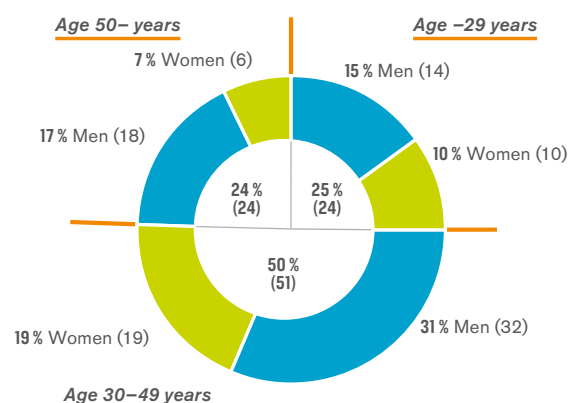
¹ The calculation method for number of employees has been adjusted with effect from the third quarter 2018 inclusive. This has resulted in the comparison figures being recalculated. The change was made to better reflect the number of employees and number of hours worked within the Group.

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 2018 in brackets.

Employee gender balance



Accidents and injuries in the workplace

The aim in 2019 was to increase the number of incidents reported and reduce the number of accidents

Accidents

Registered accidents include both accidents that result in sick leave and others that do not.

The biggest physical occupational health and safety risks for Swedol employees are linked to the Group's logistics centers. In 2019, 37 (52) accidents were reported at the center in Örebro, of which nine (four) resulted in sick leave. The accidents mainly occurred in association with the use of forklift trucks and lifting work. The injuries caused by these accidents were primarily cuts, muscular injuries and sprains.

The Group has set a target of at least 3,500 person hours between each registered accident at the center in Örebro. The actual total figure for 2019 was 3,501 hours between each accident, compared to 2,343 hours in 2018.

In the case of stores and offices in Sweden, 12 (12) accidents were reported in 2019, none of which resulted in sick leave. All 12 accidents were reported by stores and the injuries arising were mainly sprains and muscular injuries from incorrect lifting or injuries following someone tripping or hurting themselves on objects sticking out.

Four injuries were reported in the business in Norway, of which three resulted in sick leave. The accidents concerned a finger burn injury at the logistics center in Skedsmokorset, a traffic accident, a fall in store and one case of violent conduct in a store.

Two injuries were reported in stores in Finland, none of which resulted in sick leave. The accidents concerned employees who got something in their eye, which caused injuries of a less serious nature.

Reported incidents

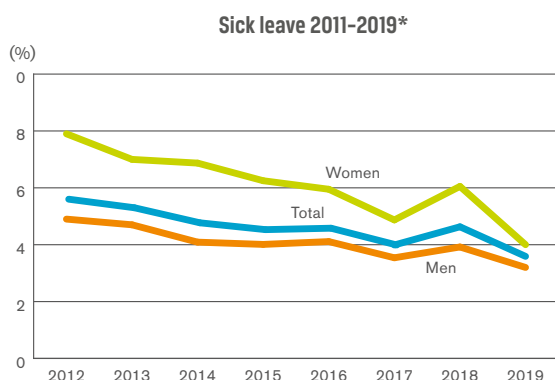
Something that could have resulted in an injury or accident, but was finally classified as a near accident. A near accident is a signal that something serious could happen next time and actions therefore need to be taken. In addition to physical factors, near accidents can also include psychosocial factors.

It is important that near accidents are reported as this is a very good way of discovering any risks that can lead to accidents and injuries. Swedol has put special emphasis on improving the reporting of risk observations and near accidents, (so-called incident reporting) at the Group's logistics centers where the biggest health and safety risks are found.

The number of Group incident reports and level of detail have been sharpened in 2019. A total of 125 incidents were reported at Swedol, compared to 64 in 2018. 115 of the incidents were reported by the logistics center in Örebro and primarily concerned incidents with trucks and products falling from shelves. Ten of the incidents were reported by stores and concerned employees that had tripped, products falling from shelves and hot premises due to inadequate ventilation in the summer.

Sick leave

Swedol continuously monitors employee sick leave, for the Group and by country. Sick leave at Group level fell in 2019, and amounted to 3.59 percent compared to 4.63 percent in 2018. Sick leave for women fell from 6.05 percent to 4.0 percent and for men from 3.92 percent to 3.2 percent. The statistics for 2018 only relate to Sweden and Norway, all countries have been included from 2019 inclusive.



* The statistics refers to Sweden until 2017, but includes Norway from 2018. From 2019 inclusive all countries where the group conducts business are included: Sweden, Norway, Finland and Estonia.

Employee Net Promoter Score, eNPS

Swedol measures employer attractiveness, via an Employee Net Promoter Score (eNPS), which is a measure of how willing employees are to recommend their workplace to a friend or acquaintance. eNPS is measured on a scale from -100 to +100.

Swedol's goal is to be in line with the benchmark for the total retailing sector. The benchmark for retailing has been at a lower level than previously in recent years. This is assessed to be a consequence of the changes within technology and skills sets that have led to skills migrations. The number of full time employees and monthly salaried employees has been reduced at certain companies, which can lead to uncertainty among employees about their job security and therefore not as willing to recommend their employer. In 2019 the benchmark for retailing was +14 (+14).

Swedol's 2019 eNPS score was +13 (+13). This continuing low score can probably be explained by concerns about the consolidation of logistics announced, high workloads in association with the continuing implementation of the Group's scalable platform plus numerous growth initiatives.

Employee Net Promotor Score (eNPS)

eNPS	2019	2018	2017
Outcome	+13	+13	+19
Target (benchmark retail)	+14	+14	+22

Leadership Index

Swedol uses a Leadership Index (LSI) to evaluate how leadership within the organization is perceived, its strengths and opportunities. Based on the results, the Group can then plan what measures ought to be taken to further strengthen its leadership.

Swedol has implemented investments in leadership in recent years and has set a target level of 80. The LSI for 2019 was 74, a slight drop from 75 in the previous year. The results point to big variations within the Group and the fall from the previous year was primarily due to a lower score in Norway and within logistics.

LSI	2019	2018	2017
Outcome	74	75	75

Engagement Index

Swedol uses an Engagement Index (EI) as a barometer for individual and organizational engagement, to show the driving forces behind engagement and how best this can be maintained and strengthened. EI is measured in the form of energy (employee motivation, inspiration and pride) and clarity (clarity of goals at individual and Group level plus connection to general goals).

For 2019, Swedol's EI remained at a stable high level at 80 (80). EI fell in Norway compared to previous years while EI rose in the support functions.

EI	2019	2018	2017
Outcome	80	80	80

Team Effectiveness Index

Swedol uses the Team Effectiveness Index (TEI) to evaluate cooperation and effectiveness in different work groups and in the Group as a whole.

For 2019, Swedol's TEI remained high at 73 (73). The results show a lower TEI in Norway and Finland and that work planning/division and conflicts continue to be areas for improvement.

TEI	2019	2018	2017
Outcome	73	73	73

H5

SUPPORTING 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. The issue was included in the significant sustainability issue "Helping customers to reduce their own environment impact". Increasing the proportion of own label products that are OEKO-TEX certified and increasing the number of quality deviations reported and to clearly state the environment impact of products on the e-commerce platform and offering customers several delivery options are all key elements of this work. The goal for 2019 of establishing a structured way of driving and monitoring work on sustainable choices was not achieved in full, but continues to be a prioritized issue.

GRI-index 2019

The 2019 Annual Report has been produced in line with the Global Reporting Initiatives Standards for Sustainability Reporting at applicability level Core. Read more about GRI at www.globalreporting.org.

General disclosures

GRI STANDARD	DISCLOSURE	REFERENCE	COMMENTS
ORGANIZATION PROFILE			
102-1	Name of the organization	Front cover	
102-2	Business model, most important brands, products and/or services	p. 6, 12–17, cover	See "Swedol in 60 seconds".
102-3	Location of headquarters	Back cover	
102-4	Location of operation(s)	p. 8	
102-5	Ownership and legal form	p. 24–25	
102-6	Markets served	p. 8–11	
102-7	Scale of the organization	p. 1, cover	See "Swedol in 60 seconds".
102-8	Information on employees and other workers, by employment contract, employment terms, regions and gender	H4	The number of employees, expressed as full-time equivalents, at the end of the year was 1,090.
102-9	Description of the organization's supplier chain	p. 18–21	
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. 14, 16–17, 27, H1	
102-12	Externally developed economic, environmental and social declarations, principles or other initiatives that the organization has signed up to or supports	p. 14, 74	
102-13	Significant membership of organizations and/or national/international lobby organizations	p. 74	Swedol is a member of Svensk Handel, the Svenska HR network and Hovedorganisasjonen 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. 22–23, 74	
GOVERNANCE			
102-18	Presentation of the organization's corporate governance	p. 30–37, 74	
STAKEHOLDER ENGAGEMENT			
102-40	Stakeholder groups the organization has contact with	p. 75	
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. 75	
102-43	Approach to stakeholder engagement	p. 75	
102-44	Key topics and concerns raised in stakeholder dialogs	p. 75	
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, 74	
102-47	A list of the material topic areas identified in the process for defining report content	p. 4, 75	
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements	p. 74	
102-49	Material changes made in the report since the previous reporting period	p. 74	GRI 416-2 has been added to the reporting for 2019.
102-50	Reporting period		1 January–31 December 2019.
102-51	Date of publication of the latest report		20 March 2019.
102-52	Reporting cycle		Annual.
	Contact point for questions concerning the report and its content		Elisabeth Lindén, Quality and Environment Manager, elisabeth.linden@swedol.se .
102-54	Claims of reporting in accordance with the GRI Standards reporting levels	p. 74	
102-55	GRI Index	p. 78–79	Swedol website, www.swedol.com/hallbarhet/certifikat-policys-och-redovisningar/
102-56	External assurance	p. 74	The report has not been audited externally.

Topic specific disclosures

GRI STANDARD	DISCLOSURE	REFERENCE	COMMENTS
ECONOMIC IMPACT			
201 (2016)	ECONOMIC RESULTS		
201-1	Direct economic value generated and distributed	p. 1, 7–8	
103-1	Governance	p. 4–6	
103-2			
103-3			
205 (2016)	ANTI-CORRUPTION		
205-2	Communication and training about anti-corruption policies and procedures	p. 18–19, 22, 74	
103-1	Governance	p. 18–19, 22, 74	
103-2			
103-3			
OWN DISCLOSURE - ECONOMIC IMPACT			
Own	Customer Satisfaction, CSI	p. 12	
103-1	Governance	p. 12	
103-2			
103-3			
ENVIRONMENT IMPACT			
305 (2016)	EMISSIONS		
305-3	Other indirect (Scope 3) GHG emissions	p. 21, H3	
103-1	Governance	p. 21, H3	
103-2			
103-3			
308 (2016)	ENVIRONMENT ASSESSMENT OF SUPPLIERS		
308-1	New suppliers that were screened using environmental criteria	p. 14, 16–21, H1	
103-1	Governance	p. 14, 16–21, 74, H1	
103-2			
103-3			
OWN DISCLOSURE - ENVIRONMENT			
Own	Support customers to make sustainable choices	H5	Concerns "Support customers in reducing their own environment impact".
103-1	Governance	H5	Concerns "Support customers in reducing their own environment impact".
103-2			
103-3			
SOCIAL IMPACT			
401 (2016)	EMPLOYMENT		
401-1	New employee hires and employee turnover	p. 74, H4	Deviation: disclosure on number of new employees divided on age and gender, and employee turnover divided on age is not available.
103-1	Governance	p. 23, H4	
103-2			
103-3			
403 (2016)	OCCUPATIONAL HEALTH AND SAFETY		
403-2	Type and number of occupational injuries and number of days of sick leave	p. 23, H4	
103-1	Governance	p. 23, H4	
103-2			
103-3			
404 (2016)	TRAINING AND EDUCATION		
404-1	Average hours of training per year per employee	p. 22–23	Not reported from 2017 inclusive. Information concerns Swedol's leadership program and "Training and skills development in focus".
103-1	Governance	p. 22–23	Not reported from 2017 inclusive. Information concerns Swedol's leadership program and "Training and skills development in focus".
103-2			
103-3			
405 (2016)	DIVERSITY AND EQUAL OPPORTUNITIES		
405-1	Diversity of governance bodies and employees	p. 36–37, H4	
103-1	Governance	p. 22–23, H4	
103-2			
103-3			
414 (2016)	HUMAN RIGHTS		
414-1	New suppliers that were screened using social criteria	p. 18–19, 74, H2	
103-1	Governance	p. 18–19, 74, H2	
103-2			
103-3			
416 (2016)	CUSTOMER SAFETY AND HEALTH		
416-1	Assessment of the health and safety impacts of product and service categories	p. 14, 16–17, H1	Proportion of significant product and service categories evaluated in accordance with 416-1 is not possible to disclose. Swedol works systematically with quality assurance, product testing and certifications.
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 14, 16–17, H1	
103-1	Governance	p. 14, 16–17, H1	
103-2			
103-3			
OWN DISCLOSURE - SOCIAL IMPACT			
Own	Employee Net Promoter Score, eNPS	H4	
103-1	Governance	p. 22, H4	
103-2			
103-3			
OWN DISCLOSURE - SOCIAL IMPACT			
Own	Leadership Index	H4	
103-1	Governance	p. 22, H4	
103-2			
103-3			

Five year summary

Income statements

Group, MSEK	2019 ^a	2018	2017	2016	2015
Revenues	3,622.1	3,241.3	3,067.1	2,371.2	1,540.0
Cost of goods sold	-2,159.6	-1,917.1	-1,858.5	-1,448.3	-960.5
Gross profit	1,462.4	1,324.2	1,208.6	922.9	579.5
Operating costs	-1,126.4	-998.9	-927.9	-746.7	-524.0
Operating profit	336.0	325.3	280.7	176.2	55.5
Profit/loss from financial items	-27.4	-8.0	-10.6	-11.8	-1.3
Profit before tax	308.6	317.3	270.1	164.4	54.2
Income tax	-71.6	-65.0	-62.9	-37.4	-11.9
Profit for the year	237.0	252.3	207.2	127.0	42.3

Balance sheets

Group, MSEK	2019-12-31 ^a	2018-12-31	2017-12-31	2016-12-31	2015-12-31
Intangible assets	795.9	744.6	636.5	632.2	29.3
Tangible non-current assets	873.8	254.6	253.3	261.7	245.5
Financial non-current assets	9.3	4.3	9.0	10.8	4.0
Total non-current assets	1,678.9	1,003.5	898.8	904.7	278.8
Inventory	1,012.7	820.8	690.7 ²	693.9	364.1
Current receivables	450.3	474.6	456.9 ²	374.9	196.2
Cash and cash equivalents	40.3	234.1	303.6	230.0	3.3
Total current assets	1,503.3	1,529.5	1,451.2	1,298.8	563.6
Total assets	3,182.2	2,533.0	2,350.0	2,203.5	842.4
Total shareholders' equity	1,408.6	1,255.5	1,080.0	930.2	512.5
Total non-current liabilities	920.0	611.4	679.8	752.8	47.6
Accounts payables	340.1	311.4	255.5	262.9	118.1
Other liabilities	513.6	354.7	334.6	257.6	164.2
Total current liabilities	853.6	666.1	590.2	520.5	282.3
Total shareholders' equity and liabilities	3,182.2	2,533.0	2,350.0	2,203.5	842.4

Cash flow

Group, MSEK	2019 ^a	2018	2017	2016 ¹	2015
Profit before tax	308.6	317.3	270.1	164.4	54.2
Cash flow from changes in working capital	-171.6	-55.3	-25.8	-63.9	12.2
Other cash flow from operating activities ³	169.2	2.5	-5.6	23.5	11.4
Cash flow from operating activities	306.2	264.5	238.7	124.0	77.8
Cash flow from investment activities	-179.9	-178.8	-46.7	-362.6	-34.1
Cash flow from financing activities	-320.8	-155.2	-118.4	465.3	-43.2
Cash flow for the year	-194.4	-69.5	73.6	226.7	0.5
Cash and cash equivalents at start of the year	234.1	303.6	230.0	3.3	2.8
Exchange rate difference in cash and cash equivalents	0.6	0.0	0.0	0.0	0.0
Cash and cash equivalents at end of the year	40.3	234.1	303.6	230.0	3.3

Key figures

Group	2019 ^a	2018	2017	2016	2015
Margin measurements					
Gross margin, %	40.4	40.9	39.4	38.9	37.6
Operating margin, %	9.3	10.0	9.2	7.4	3.6
Profit margin, %	8.5	9.8	8.8	6.9	3.5
Financial metrics					
Return on average capital employed, %	15.9	18.8	17.1	16.0	9.2
Leverage ratio, times	0.74	0.43	0.58	0.76	0.17
Equity ratio, %	44.3	49.6	46.0	42.2	60.8
Interest coverage ratio, times	10.4	27.4	18.5	12.4	26.8
Return on average total capital, %	11.8	13.5	12.5	11.7	6.7
Return on average shareholders' equity, %	17.8	21.6	20.6	17.6	8.3
Net debt to EBITDA, times	1.7	0.8	1.0	1.9	0.9
Activities related key					
Number of stores at the end of the year	103	99	99	99	48
Number of employees at the end of the year	1,090	1,041	947 ⁴	914	499
Average number of employees	1,098	982	945 ⁴	751	504
Revenue growth, %	11.7	5.7	29.3	54.0	11.3
Gross investments, MSEK	116.5	66.9	46.7	30.0	40.4
Total depreciation and disposals, MSEK	250.2	62.1	51.0	43.8	31.9
Average inventories, MSEK	972.9	761.0	726.0	557.6	361.9
Data per share					
Earnings, SEK ⁵	2.85	3.03	2.49	1.53 ⁶	0.51 ⁵
Dividend, SEK	1.20 ⁷	1.20	0.90	0.50 ⁶	0.35 ⁶
Shareholders' equity, SEK	16.93	15.09	12.98	11.18 ⁶	6.16 ⁶
Cash flow from operating activities, SEK	3.68	3.18	2.87	1.49 ⁶	0.94 ⁶
P/E -ratio	16.24	10.35	11.68	16.97	28.44
Dividend yield, %	2.59 ⁷	3.82	3.09	1.93	2.39
Share price at end of the year	46.25	31.40	29.10	25.90	14.46
Number of shares, thousands	83,200	83,200	83,200	83,200 ⁶	83,200 ⁶

¹ Björnkälder Intressenter AB (Grolls) was consolidated with effect from 8 June 2016.

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 Items included are, Adjustment for items not included in cash flow, Interest, Paid tax.

⁴ 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.

⁵ Earnings per share are the same before and after dilution, as there are no outstanding warrants or convertibles that can entail dilution.

⁶ Restated in respect of the preferential share issue in 2016.

⁷ Proposed dividend.

⁸ Effective 1 January 2019, the Group applies IFRS 16 Leases. The transition has been made with the aid of the simplified method, which means the comparison figures have not been recalculated. The effects of this on the balance sheet, income statement and key figures for 2019, are presented in note 29.

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

Shareholders' equity, divided by no. of shares, adjusted for new issues and splits.

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.

Inventory turnover ratio

Revenues divided by average stock value.

Net debt to EBITDA

Net debt is defined as interest bearing liabilities (including lease liabilities as an effect of IFRS 16) 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 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.

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 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.

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 return

The sum of dividend yield and share price appreciation.

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.

Volatility

A statistic measure that indicates how large the movements have been in a share. Based on annualized standard deviation of the return on the share.

Definitions - glossary

CO₂e

Carbon dioxide equivalents.

Comparable units

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

Other units

Other units relate to all other sales that are not comparable.

Organic growth

Organic growth means growth excluding acquisitions, but including new stores.

Omnichannel

A marketing model where sales and marketing channels are integrated to provide a personalized and unified experience in every customer interaction.

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.

STANDARD 100 by 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.



 balance

Information to shareholders

Financial calendar

Reports

Interim report Jan–Mar 2020	22 Apr 2020
Interim report Jan–Jun 2020	23 Jul 2020
Interim report Jan–Sep 2020	22 Oct 2020

Annual General Meeting

Annual General Meeting 2020	11 May 2020
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Annual Genral Meeting

Swedol's Annual General Meeting 2020 will take place on May 11, 2020 at Näringslivets hus, Storgatan 19 in Stockholm at 09.30. Registration for the AGM begins at 08.30.

Documents to be presented at the AGM are available on the company's website for at least three weeks immediately prior to the AGM.

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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



Distribution

The annual report 2019 is distributed to the shareholders that have requested it three weeks before the Annual General Meeting. The annual report is also provided as a PDF at www.swedol.com.

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