



LINDÉNGRUPPEN

Integrated Annual and Sustainability Report 2021

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Our first integrated report

We are proud to present our first integrated Annual and Sustainability Report. Our ambition with this document is to present Lindéngruppen and show how sustainability drives and develops our business. Another ambition is to meet the expectations and information needs of all our stakeholders. It is an important step on our journey to fulfil our purpose and transform our businesses to become sustainable.

In this report we present our Group, our purpose and values followed by how we adapt to the changes in the world around us. We describe how we create and measure value, both financially and for the planet and our societies, and how this will lead us to the targets we have set for 2030. The report is concluded by the Board of Directors' report, our materiality assessment, risk analysis, sustainability performance report and financial statements.

Symbiosis

Our Report is inspired by the project and exhibition 'Symbiosis' at Färgfabriken. Symbiosis is Greek and can be translated as 'living with'. The original meaning is a biological description of two organisms being mutually dependent on each other. For Lindéngruppen the concept of symbiosis captures how we create value together with our companies and partners. One example of this is our Value Creation Model, where we measure our business impact on society and our roll in a larger ecosystem. It is also about how we work with cross-border partnerships in the same way as Symbiosis creates meetings between artists, architects and scientists.

Cover photo and background photo are both part of the Symbiosis project.
Read more on page 123.

The Sustainability Report, based on Global Reporting Initiative (GRI), can be found on pages 1–22, 26–30 and 33–65 and is the Statutory Sustainability Report in accordance with the Swedish Annual Accounts Act (1995:1554). It is also Lindéngruppen's Communication on Progress Report (CoP) to the UN Global Compact. The Statutory Annual Report consists of the Board of Director's Report, Financial Reports, notes, and five-year overview (pages 23–32 and 66–118). The integrated Annual and Sustainability Report is available in Swedish and English.

2021 Highlights

A financially strong year for Lindéngruppen

Despite the pandemic and increased raw material costs Lindéngruppen delivered one of its strongest years ever on both growth and result.

New Value Creation Model introduced

Lindéngruppen has developed a new Value Creation Model that will give us better ability to measure our economic, environmental and social impact.

New targets set for 2030

During the year, Lindéngruppen established new strategic goals for 2030 including the goal to become climate positive.

Colart products on high demand during pandemic

Colart's products remained highly sought after as national lockdowns boosted consumer engagement with art. Sales increased by 10 per cent and profits continued to improve.

Höganäs show exceptional strength

Höganäs' profit increased by 63 per cent driven by rapid recovery after the pandemic. The demand for metal powder was strong, primarily within the automotive sector.



Youngjae Lih Unseen I/II, Photo: Shen Jingfeng

Beckers Art Award 2021

The recipient of Beckers Art Award was Youngjae Lih. Through his deep personal understanding of the ways in which technology works, he creates works of art that produce poetic qualities and unique experiences.

Strengthened organisation at Beckers

The organisational model was simplified into three strong regions and two new members of the management team were appointed: a CTO was recruited externally, and a new President for Southern Europe and Africa was promoted internally. Beckers also conducted their second global employee engagement survey with a 94 per cent participation rate. It showed improvement on all items and was followed up with workshops.

Höganäs implements climate neutrality roadmap

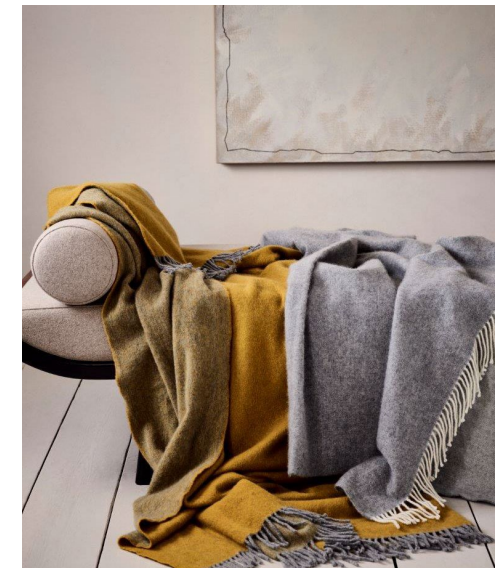
The Höganäs climate roadmap implementation project identified 170 emission reduction actions throughout the business that are equivalent to almost 90 per cent of the company's scope 1 and 2 emissions.

First Alex Begg products with recycled yarn

Alex Begg introduced upcycled and recycled materials in their product range. For example, they launched a variety of patchwork blankets and CashAyr scarves, woven with residual material.

Lindéngruppen's farm works to sequester carbon

With the ambition to test and learn of a new technology that in the future could benefit the entire Group, the Pilskytten farm is implementing regenerative farming practices to enhance soil health and store carbon. Knowledge is built and exchanged through membership in Svensk Kolinlagring, which is pioneering carbon sequestration.



Alex Begg's CashAyr throw Flannel French Gold and White Flannel.



01

This is Lindéngruppen

Lindéngruppen is a second-generation family business focusing on the sustainable and long-term development of industrial companies.

We empower our companies to prosper and lead the transformation to a sustainable world. This is reflected in our overarching strategy, which is to expand our positive impact and strengthen Group companies so they can continue to be leaders in their industries.

Lindéngruppen's global footprint



Our purpose

We empower our companies to prosper and lead the transformation to a sustainable world.

Our values

Authenticity

We are authentic in everything we do – we live by our values and respect the integrity of others.

Curiosity

We have the courage and curiosity to create space for innovation and ideas that stretch our view of what is possible.

Long-term view

We invest long term in companies that create value to create successful companies that can lead the transition to a sustainable world.

(All numbers on this page include Höganäs, which is 50 per cent owned)

Countries with production sites



SEK **19** BILLION
aggregated turnover

114
countries where our
products are sold

26
countries with sites

5,359
co-workers

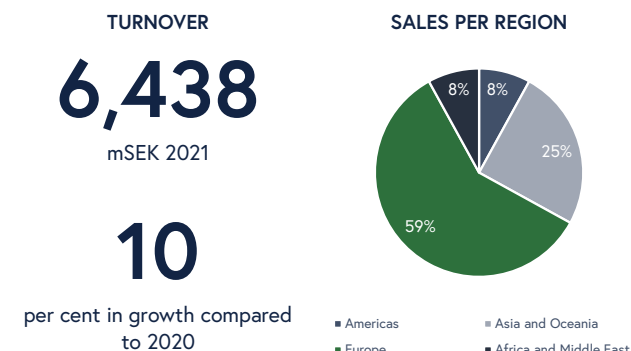


Beckers

Beckers is a global market leader in coil coating and a leading supplier of industrial paints. The company provides unique high-quality coating solutions primarily used in the construction sector, in industrial and consumer products.

Coil coatings are methods and products for applying liquid paints to steel and aluminium. Within industrial paints, Beckers are delivering specially manufactured coatings for consumer products, metal parts and plastic components.

Beckers aims to develop solutions that give surface a new meaning for sustainability, climate efficiency and customer value. The coating industry has enjoyed steady growth in the past decades, much driven by rising construction and infrastructure activities. Market growth is expected to continue, in particular in Asia and emerging markets. With its global footprint and clear focus on innovation and sustainability, Beckers is optimally positioned to benefit from and contribute to environmental initiatives that will shape the future of the coatings industry. In 2021, Beckers had a growth of 10 per cent and an overall strong result.

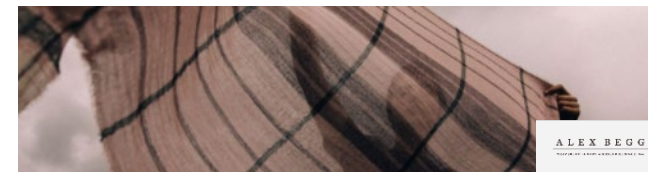
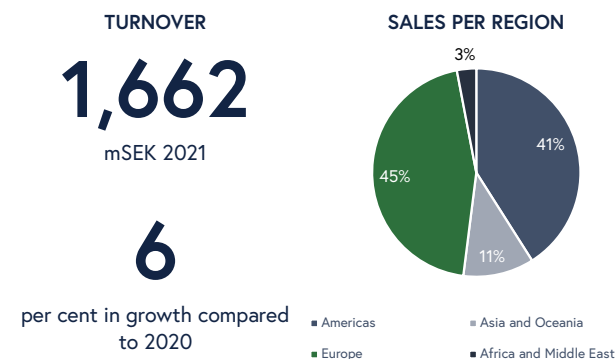


Colart

Colart is a world-leading arts material company that offers products used by millions of artists around the globe. Colart's vision is to inspire every artist in the world.

Colart caters to everyone who wants to express their creativity, which includes the creative lifestyle group which is growing. Trends of self-expression have strengthened during the pandemic which also drives the demand for sustainable art materials. Digitalisation is another trend that impacts Colart by providing more sales channels and greater opportunity to interact with end-users.

Throughout 2021, Colart has worked proactively to strengthen employees' well-being, health and safety. The efforts combined with a high customer demand have translated into strong growth and high profitability.



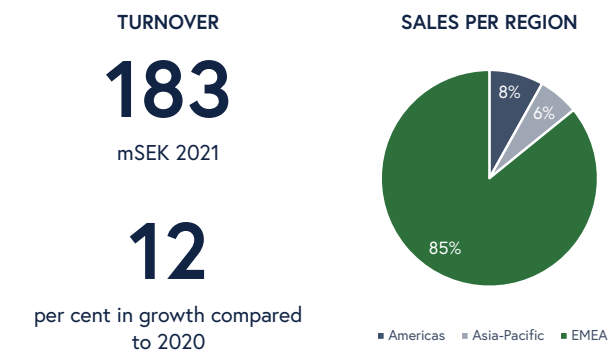
Alex Begg

Alex Begg is a specialised manufacturer of luxury textiles such as cashmere wraps, scarves, throws and knitwear. The textiles woven and knitted by Alex Begg are sold under the names of some of the world's most prestigious luxury brands as well as under their own Begg x Co brand.

The demand for luxury products and brands has experienced strong growth, particularly in Asia. The industry has proven resilient through the pandemic and is expected to continue to grow over time.

The market's demand for sustainable solutions is also becoming increasingly important for the world's leading luxury brands. With a focus on craftsmanship and sustainability, Alex Begg is well positioned to benefit from this development.

In 2021, Alex Begg introduced their first products made of recycled yarns and other residual materials.





Höganäs

Höganäs is the world's largest producer of metal powder. The powder is used in a wide variety of applications, from manufacturing of gearboxes and electric engines to the removal of contaminants in drinking water. Höganäs is 50 per cent owned by Lindéngruppen and 50 per cent owned by FAM AB, which in turn is owned by the Wallenberg Foundations.

Höganäs' product portfolio is consistently based on state-of-the-art technology with great opportunities. Many of Höganäs customers, particularly in the automotive industry, are challenged by the electrification trend and the push for decarbonisation. This gives Höganäs opportunities to offer its customers solutions on more effective and lighter products with reduced environmental impact.

In 2021 Höganäs enjoyed good growth with a strong profit and cash flow.



Pilskytten Lantbruk

Pilskytten Lantbruk creates value by cultivating arable land with an aim of transitioning to regenerative agriculture.

The company invests in implementing carbon sequestration and biodiversity and is an active member of Svensk Kolinlagring, which is a pioneer in regenerative agriculture in Sweden.

The farm is located outside Helsingborg and is fully owned by Lindéngruppen.



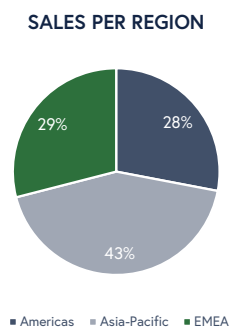
Christinelund Dressage

Christinelund Dressage trains and develops dressage horses to the highest level in a sustainable business that focuses on the horses' well-being.

The facility is located outside Helsingborg and is fully owned by Lindéngruppen.

TURNOVER
10,527
mSEK 2021

22
per cent in growth
compared to 2020



Owner perspective

I am incredibly proud that we have developed and started to implement a new Value Creation Model that measures our impact on people and planet.

At the time of writing, Russia has invaded Ukraine with catastrophic humanitarian consequences. The unjustified war against the Ukrainian people is an attack on democracy and human rights. The unity with which Europe, the United States and NATO have acted is a powerful reminder of our shared belief in freedom and other fundamental human values and that we cannot take these values for granted. We stand with Ukraine and support the principles of free societies everywhere in the world.

Never have I believed so strongly that we all, as individuals and companies, have a responsibility as well as an opportunity to be a force for good. I am convinced this makes good business sense too.

The world we operate in is made up of interdependent ecosystems, and we therefore need to reconsider how we work and define value creation. This is why I am very excited about our progressive new Value Creation Model, which will increase transparency around our positive and negative impacts. It will also enable us to make better decisions to deliver on our purpose: *to empower our companies to prosper and to drive the transformation to a sustainable world*. We use the scientific definition of sustainability by The Natural Step. Simply described, it states that in a sustainable society individuals, communities, businesses and institutions are able to thrive within nature's limits.

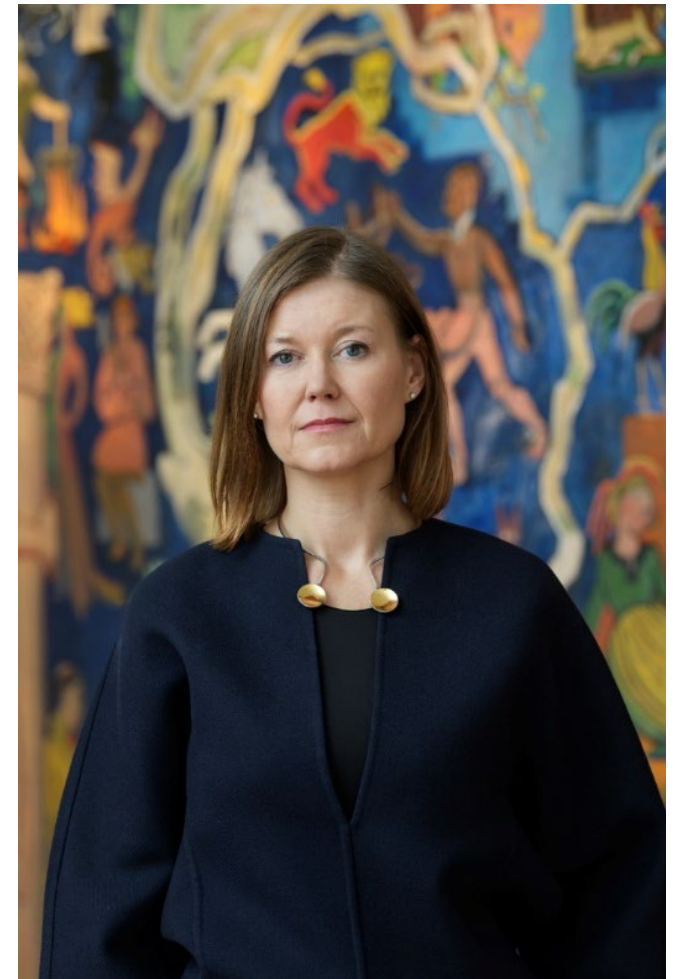
During 2021 we completed a strategic review at Lindéngruppen where we confirmed our focus as a purpose driven industrial group with a long-term view on sustainability. We set new ambitious targets, including committing to be climate neutral by 2030 with an aim to be net positive in our overall impact. This means that we will put more back into society, the environment, and the global economy than we take out.

We recognise that critical prerequisites to be able to reach our targets will be to nurture an enabling culture and finding collaborations and the right strategic partnerships. We therefore welcomed the opportunity to partner with the Inner Development Goals research initiative, which have identified 23 transformational skills needed for human growth and sustainable development. These essential skills and qualities include: an inner compass, complexity awareness, connectedness, compassion, courage and perseverance.

Lindéngruppen's ability to grow and to deliver on our purpose is due to the efforts of all the passionate and hardworking people in our companies. Thank you for joining us on our journey to make the world a little bit better while providing superior products and solutions to our customers all over the world.

April 2022

Jenny Lindén Urnes
Owner and Chair



Word from the CEO

In 2021, Lindéngruppen made great progress with strong results, enhanced strategies, and a unique Value Creation Model.

2021 was a successful year for Lindéngruppen. We continued our efforts to create the best possible conditions for our companies to prosper and lead the transition to a sustainable world. The fact that we have delivered one of the best results in the company's history, despite the challenging market conditions, is testament to our stability and to our customers' appreciation of our products and services.

During the past year, the pandemic entered a new phase, but our focus on ensuring the health and safety of our employees and continuing to invest in long-term development has stood firm. This has been made possible by successful management of challenges such as supply chain disruption and soaring commodity prices. When we look back at the pandemic in the future, we may see that the situation brought an advantage, namely the opportunity to spend more time on internal collaboration and analysis. This in turn has resulted in enhanced strategies and action plans. I would say that this applies to all companies within Lindéngruppen.

At Lindéngruppen AB, we have raised the level of ambition by setting Group-wide targets for 2030. We have also developed a unique Value Creation Model that enables us to measure and put a financial value on our economic, environmental and social impact. The model will help us not only to create value but also to make more informed business decisions and obtain a better understanding of future risks and opportunities. The Value Creation Model demonstrates that it is possible to combine focus on financial success with a clear roadmap towards a sustainable world.

In relation to the UN Global Compact, we stand behind the ten principles for human rights, labour, the environment, and anti-corruption. This report shows our progress and is our Communication on Progress (CoP).

Our companies, which are in various stages of transformation, have also taken major steps forward over the years. Beckers and Höganäs have launched new sustainability plans that will permeate the development of their operations for many years to come. Through technology and digital communication, Colart and Alex Begg are getting closer dialogues with their end customers. This is something that, also in B2B, will be crucial to develop competitive customer offerings. Another source of joy is the many talented new employees who have joined Lindéngruppen during the year.

Overall, I am proud of the results and how the companies in Lindéngruppen have managed 2021. It is impressive how our many skilled and determined employees have handled the challenging market situation.

As I write this, we are in 2022 and Russia's horrific invasion of Ukraine shows once again that we find ourselves in an uncertain and unpredictable world. Many underlying conditions for our businesses are at risk of deteriorating rather than improving in 2022. But despite this, I look to the future with confidence and I am convinced that our fantastic employees, in combination with our market-leading products and services, have a role to play. Not just in Lindéngruppen's journey but also in the transition towards a more stable and sustainable world.

April 2022
Paul Schrotti, CEO



The world around us

We operate in a rapidly changing world, where global trends and societies' reactions to them present both opportunities and challenges to our companies. Some have direct impact on us, others are impacting society in a longer perspective, presenting fundamental changes in the business environment.

Pandemic

The Covid-19 pandemic remained a challenge for all businesses and societies around the world. Our companies continued to protect the health and well-being of their employees. The initial struggle in 2020 to ensure business continuity during lock downs has gradually been replaced by the challenge to handle a growing demand and improve service levels when societies are rebounding after the pandemic.

Business is still being disrupted by supply chain issues as well as increased raw material costs. We have handled this through flexible organisations and long-term planning.

Other challenges in 2021 included labour shortages and high energy costs. Trends that probably will be with us in the future.

Environment, climate change and growing stakeholder expectations

In the longer perspective there are global trends that will continue to affect our companies and businesses (see table on page 11).

Governments are tightening sustainability legislation, which puts higher demands on industries around the world. We also see a growing consumer awareness of global sustainability. Together this is shaping the behaviour of our customers and raises expectations on us. As forerunners, we welcome this development since it

drives our industries towards becoming sustainable and helps us fulfil our purpose.

Climate change is one of the most important drivers in almost every industry. For Lindéngruppen – with activities in energy intensive industries – this represent a challenge that will be with us for the foreseeable future. But it also provides opportunities for companies that are able to take a lead and drive real transformation.

An opportunity for many of our companies is to develop a deeper relationship with their end customers and other key stakeholders and make them aware of our sustainable offering.

Technology

We are in the midst of a new digitalisation wave where new technologies are unleashing possibilities for industries of building a more agile, digital, resilient and sustainable future. For Lindéngruppen, digital technologies will help us to become more efficient, eliminate waste, engage in better forecasting and improve how we remain accountable to our customers and stakeholders. However, it is also a challenge as it makes many of our activities more likely targets for disruption.

Skills and talent

During the pandemic our companies have seen the challenge of attracting the right competence become even tougher. There is a shortage of some key skills, which includes IT, technology, and production. Today's workforce

seeks a meaningful employee experience making their work life more satisfying. An employee's experience is something that the person often carries with them during their working life. It covers all aspects of well-being, a need for purpose, and internal communication with team members and managers.

Working in strategic partnerships with educational institutions, some of our companies are now becoming more active themselves in the education and training of future co-workers. We believe that these types of partnerships are part of building our eco-system in all aspects, not least in ensuring long term attractiveness for skilled and experienced employees.

By bringing sustainable and innovative solutions to our customers and by working in partnership with others we can maximise our impact as a Group. If we can do so, many of the challenges that we have can be transferred into competitive advantages.

Global trends

| | GLOBAL TREND | CHALLENGES/RISKS | OPPORTUNITIES | IMPLICATIONS |
|---|--|--|---|---|
| DISRUPTED GLOBAL SUPPLY CHAINS | Due to the pandemic, but also political and logistical factors, global supply chains are under increased pressure. Companies – but also the political level – strive to secure sourcing streams and competition for resources increase. | <ul style="list-style-type: none"> Disrupted production and inability to deliver to customers. Inflation in general and increased costs for particular goods and raw materials. | <ul style="list-style-type: none"> Secure and more sustainable sourcing. Demand for increased circularity. On-shoring and near-shoring. Production is placed closer to the end user. Closer cooperation with both suppliers and customers. | We must secure our sourcing and be strategic about our logistics in the shorter perspective, and our partnerships in the long perspective. |
| CLIMATE CHANGE AND RESOURCE SCARCITY | Excessive resource use is having negative consequences on our climate, ecosystems and access to resources. Decision-makers, stakeholders and companies are adapting to this challenge through tighter regulations, increased demands and investments in new technology and innovation. | <ul style="list-style-type: none"> Our impact on air, land, water and biodiversity. Climate change impacts on our operations. Chemical management. Dependence on finite and non-renewable materials. | <ul style="list-style-type: none"> Reducing our environmental impacts will decrease financial costs and risks over time. Increasing energy efficiency and reducing carbon impact will enhance resilience and competitiveness. Using renewable raw materials in our products will help secure our future supply chains. | We must proactively mitigate the environmental impact of our production and product development processes. By doing so, we will reduce financial costs, secure our raw material supply, mitigate risk, as well as minimise environmental impact and protect biodiversity. |
| DIGITALISATION AND NEW TECHNOLOGY | Digitalisation, automatisisation and AI solutions impact all parts of the value chain. Technical progress in these areas disrupts production patterns, but also customer experiences. | <ul style="list-style-type: none"> New forms of competition in both production organisation and consumer behaviour/experience. | <ul style="list-style-type: none"> Being in the forefront of technology gives a competitive edge. We can optimise our processes better, decrease waste and develop a better understanding of our customers' – including the end customers' – need. | We must continue to drive digitalisation internally – both in order to make production more efficient and decrease waste, and to improve our understanding of the customer and our role in the value chain. |
| EQUALITY IN THE WORKPLACE | Current and potential employees have growing expectation on work being not only enriching and stimulating but also fair and equitable. Companies need to secure health and safety, as well as support diversity and inclusion. In some regions of the world issues with human rights and modern slavery remain, and these need to be handled in the best possible way. | <ul style="list-style-type: none"> Health and safety, human and labour rights (including children's rights). Suppliers in emerging markets with potentially inadequate worker standards. | <ul style="list-style-type: none"> Raising working standards helps us to attract, develop and retain talent. Promoting diversity and inclusion will increase creativity and innovation. Investing in decent work for all will reduce the risk of non-compliance with legislation and damage to our brands. Helping our suppliers to avoid issues such as corruption and child labour will help secure our value chain. | By having the highest standards, building knowledge and empowering the people in our businesses, we will attract and retain the right competence for our businesses. In addition, we must safeguard the working standards of all workers in our value chain. |

02

How we create value

In 2021, we developed and began piloting a model that will transform how our companies measure their value creation.



Value creation in 2021 and beyond

Lindéngruppen's purpose is to empower our companies to prosper and lead the transformation to a sustainable world. We expect our companies to reduce their negative impacts and be a force for good in society. This approach is not only the right thing to do, but it gives our companies a strategic advantage, and makes them more resilient, competitive and profitable.

Demonstrating leadership on value creation

In 2021, we took our efforts to the next level by developing a new Value Creation Model that enables us to measure our economic, environmental and social impacts (externalities) and quantify our true value creation. The model recognises that we are interdependent on the environment and the societies in which we operate.

By factoring in some of the major costs and benefits that our businesses generate, we can give sustainability performance a similar weighting as financial performance. This will ensure that sustainability performance is given the attention, resources and investments it requires.

Our Value Creation Model

Our model for value creation measures net income and six externalities, which we have identified as having the greatest impact on our overall value creation and which at the same time are possible to monetise. These are:

- Salaries and pay
- Taxes and subsidies

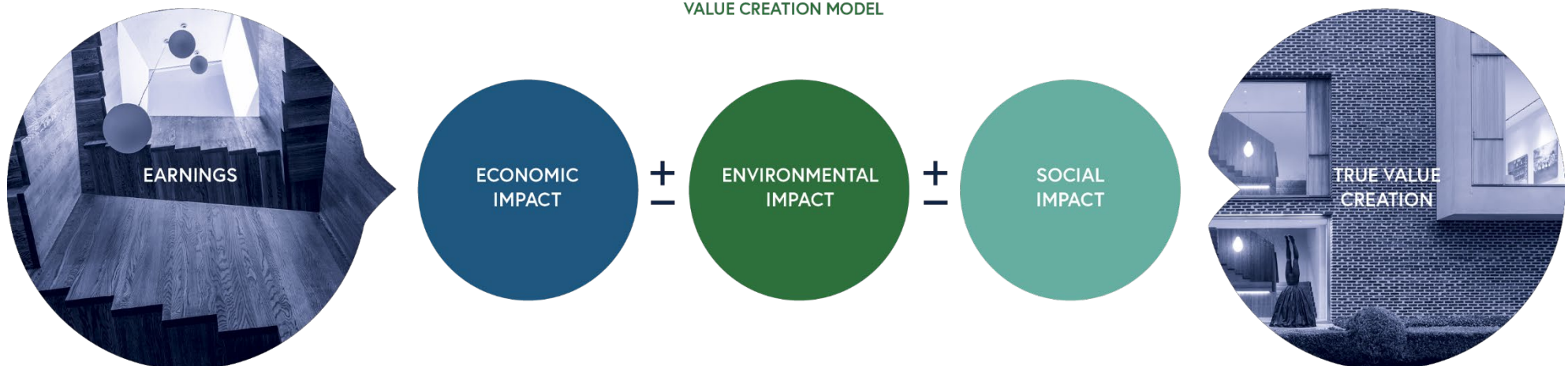
- Carbon emissions
- Waste
- Occupational health and safety
- Gender equality

Non-monetised externalities

We also measure, follow and set targets in a number of other areas that are important to Lindéngruppen but that cannot currently be scientifically monetised.

As our model is scalable, we will be able to incorporate non-monetised impacts – when comparable, objective and measurable monetisation is available.

VALUE CREATION MODEL



Important impacts that will be measured and followed, but not monetised are:

- Sustainable customer offering
- Sustainable materials used
- Education/learning
- Employee engagement
- Community involvement
- Children's rights

The benefits of our Value Creation Model

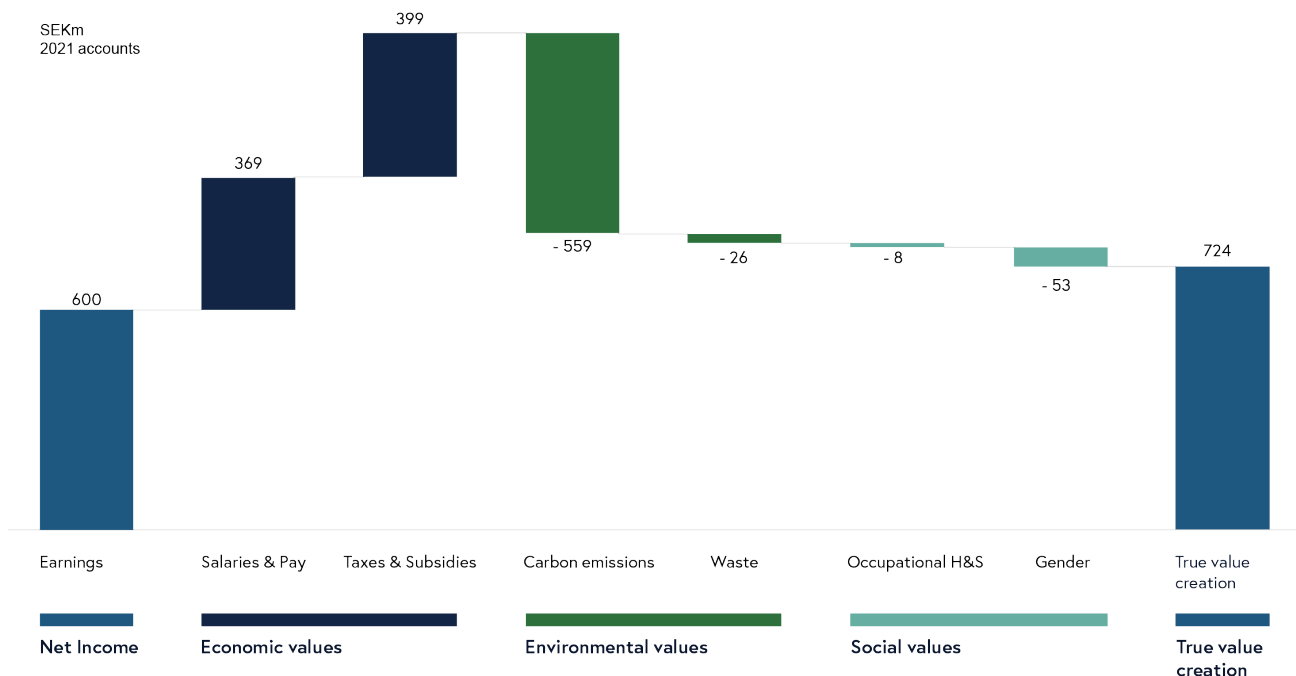
By including economic, environmental and social considerations when measuring value, we can:

- Make more informed and responsible business decisions and enable better prioritisation of resources
- Create stakeholder value and support more meaningful dialogue with our stakeholders
- Better understand the risks and opportunities that our environmental and societal impacts entail
- Promote accountability and transparency

Our aim is to use the model to integrate overall value creation into the governance of the Group, our investment decisions, and even incentive structures in order to secure long-term growth and profitability.

We would also like to lead the way to inspire others to implement similar Value Creation Models in the governance of their businesses.

We will continue to refine the model in 2022 and consider additional externalities. From 2023, we plan to implement the model throughout the Group.



The Value Creation Model measures Lindéngruppen's value creation to society by adding or subtracting science-based externally validated* economic, social and environmental costs and benefits to the financial earnings.

In 2021, Lindéngruppen's true value creation amounted to SEK 724 million.

Economic value amounted to SEK 768 million including salaries and pay (SEK 369 million) and taxes paid minus subsidies received (SEK 399 million).

The methodology for calculating the costs to society can be found on pages 48–50.

* Validated by KPMG True Value Team

Carbon emissions represented 96 per cent of the Group's total environmental value and was estimated as being a SEK 559 million cost to society. Importantly:

- Scope 1 emissions accounted for more than 74 per cent of the total greenhouse gas (GHG) emissions.
- Höganäs was responsible for 93 per cent of the Group's total GHG emissions.

Lindéngruppen's social value was estimated to amount to a societal cost of SEK 61 million, mainly resulting from gender imbalance. Gender imbalance at Höganäs contributed 67 per cent of the total societal cost. Since Höganäs is 50 per cent owned, only half of their revenue is included. However, 100 per cent of their impact on other areas is included.

Group targets 2030

By 2030, Lindéngruppen aims to be climate positive and for over half of our customer offerings to be sustainable and circular. To deliver this, we work actively to support our Group companies to optimise their environmental and societal benefit while minimising their negative impact.

Our purpose priorities

To embed and deliver on our purpose – to empower our companies to prosper and lead the transformation to a sustainable world– and our new Group targets for 2030, our sustainability strategy defines four overall purpose priorities. These are based on the four pillars found in the World Economic Forum (WEF) White Paper 'Measuring Stakeholder Capitalism': Governance, People, Planet, Profit and Prosperity and are used as our sustainable priority areas to drive and measure progress.

Our four sustainability purpose priorities are:

People – Attracting and retaining the right competence for Lindéngruppen and our businesses, and how we ensure the well-being of people through diversity, learning and competence building in the workplace.

Planet – Reducing our negative impact on the environment and developing new and even more sustainable ways of managing production, logistics and supply chains, as well as how we act on climate change.

Profit and Prosperity – Empowering positive impact and developing sustainable strategies and solutions that create value both for our customers and for society at large. Growth and profitability are proof that we add value to people and society while also being the foundation for our ability to drive change. Our aim is to make money through change and transformation by helping customers in their sustainable transformation.

Governance – Integrating environmental, social and governance (ESG) factors into investment decisions to help create long-term value, and maintaining high standards for labour, human rights and other governance issues throughout our companies builds trust and resilience. More information about governance can be found in the Board of Directors' report (pages 23–32).

Our progress and performance are reported on pages 51–59 and are structured around our sustainability purpose priorities. In the coming years, we will report progress towards our Group targets for 2030.

Our strategic review in 2021

During 2021, our strategic review resulted in the Value Creation Model, an updated materiality analysis and a sustainability framework.

We also introduced new strategic sustainability targets for 2030 and supporting targets for 2022 and 2025. The targets are based on the sustainability topics included in our Value Creation Model and our materiality analysis. The climate-related targets must be scientific and in line with what is required in the Paris Agreement. Performance indicators track our progress both on a Group level and within each company. As a part of this review, we also assessed how we can enhance our contribution to the UN Sustainable Development Goals for sustainable development.

We confirmed that Lindéngruppen's businesses are to be leaders in their industries which requires continued growth to enable innovation and transformation.

We have also set financial targets to maintain growth and profit levels that support our 2030 targets and enable a position of growing market share.

SUSTAINABILITY GOALS 2030

Climate positive

in line with the Paris Agreement

0

hazardous waste

0

accidents

40/60

gender division

People

We aspire to attract and retain the competence we need to ensure the long-term success of Lindéngruppen and our companies.

Our approach

By basing everything we do on our purpose and values, we create an organisation of openness, trust and cooperation. An entrepreneurial environment with curious and brave people who dare to have their say, seek collaborations with unpredictable parties, learn from mistakes and change course if necessary.

By attracting, developing and retaining skilled people that share our values, we can build a healthy and sustainable company culture and are better equipped to drive long-term success.

The right competence, attitude and values are essential for us to lead our Group-wide transformation into a sustainable company. Our role as a parent company is realised through our governance structure and in Boards, but foremost by the insights and contributions from each of our 14 employees.

Senior Management and Board leadership

As owners, our influence is exercised through the Boards and Senior Management of each company. They in turn are responsible for building strong and independent organisations.

For the configuration of our Boards, competence, integrity, engagement and diversity are key criteria. Each of our Group companies' Boards includes representatives from Lindéngruppen and independent external Board members.

Competence development

Securing competencies that will continue to develop the organisation is a challenge moving forward. Collaborations with educational institutions such as Blekinge Institute of Technology and the Lund School of Economics and Management keep us at the forefront of developments within sustainability and corporate management. We also work with short and long-term succession plans for all management teams each year.

Employee well-being

All employees within the Group have regular performance appraisals, in most cases annually. In addition, quarterly check-ins are taking place to an increasing extent.

To ensure fair conditions and good working environments, the rights of our employees reflect the Swedish labour standards and our membership in Svenskt Näringsliv (the Confederation of Swedish Enterprise) and IKEM (Innovation and Chemical Industries in Sweden).

All co-workers in Europe are covered by collective bargaining agreements and employee representatives ensure that high labour standards are also applied outside of Europe. Our Code of Conduct emphasises the importance of safe workplaces and we promote all forms of employee well-being, including stress-related impacts and health.

We are neutral to political parties, but we encourage our employees to get involved locally. We also encourage our companies to get involved in industry organisations.

Diversity and gender equality

We continuously promote cultural diversity and gender equality among senior management and Board members.

As stipulated in our internal governance document, The Lindéngruppen Way, each CEO in the Group is responsible for creating diverse and effective management teams. As a parent company, our small and flexible organisation allows us to tailor people development to each co-worker's priorities and function. The Code of Conduct provides guidance on respectful relationships for every co-worker, senior manager and Board member.

Relevant People SDG targets



5.1 End discrimination against women and girls



5.5 Ensure full participation in leadership and decision-making



8.8 Protect labour rights and promote safe working environments

Health and safety

Our industrial companies work with processes that are potentially dangerous for employees. Our companies continuously work to improve their safety performance and raise awareness of health and safety risks among their employees.

Human and children's rights

Our ambition is to be a role model in human and children's rights. We work to protect and respect these rights and seek to be transparent throughout the value chain and within our sphere of influence, including beyond our direct suppliers.

During the year, we held management workshops, reviewed guidelines, and initiated an assessment of risks/impacts on children in our supply chains.

More guidance on our work with human and children's rights can be found under Governance in the Board of Directors' Report.

Challenges

- Talent development
- Access to competence
- Employee health and safety

Opportunities

- As a privately-owned Group, we have great flexibility in the type of training and education we can provide to our people
- Setting diversity targets for our top management and Boards can lead to rapid change

Progress 2021

- Continued team training at Lindénggruppen's head office
- Improved Board evaluation and succession planning
- Group targets set for 2030

Planet

The companies we own have different impacts on the planet. Each have their own approach to environmental work – from Höganäs with their work to reduce carbon emissions to Alex Begg focusing on ethical consumerism.

Lindéngruppen's environmental impact

Our own operations, with 14 employees at our headquarters in Höganäs, with no manufacturing and a limited supply chain, have minimal direct environmental impact. The direct environmental impact we have is primarily related to energy use and business travel. Policies are in place to ensure sustainable travel and purchasing.

However, as an owner of industrial companies, we have huge potential to reduce the environmental impact of our companies. We work with our own operations as well as with our suppliers to find and develop new sustainable input materials for our products. The real scalable positive impact we can have is through our sustainable product offering. Through that offer, we contribute to the transformation of our markets, which benefits everyone, including customers and end-users.

Beckers

Main impacts: Energy use from transportation, heating, cooling and electricity consumption as well as the related climate impact. Emissions from operations, including Volatile Organic Compounds, chemicals use and input materials.

Challenges: Beckers' long-term ambition is for the business to grow while reducing the environmental impact.

Opportunities: Beckers are increasingly adopting renewable energy and producing less waste. Within their

stream 'products with impact' Beckers strive to provide coatings that deliver real sustainability value for society.

Progress 2021: Sustainability targets became part of the individual target setting for all employees.

Colart

Main impacts: Energy use and the subsequent carbon emissions, the use of single-use plastics in products and packaging, and Substances of Very High Concern (SVHC).

Challenges: Replacing single-use plastics with more sustainable alternatives without impacting product shelf life.

Opportunities: There are significant opportunities to source more renewable energy, promote energy efficiency, replace single-use plastics with more sustainable alternatives, and continue to phase out SVHCs.

Progress 2021: Since 2015, Colart have removed 10 raw materials with SVHCs which equates to 396 formulations or 734 products.

Alex Begg

Main impacts: The chemical footprint of suppliers as well as the environmental impact of wool and cashmere.

Challenges: Working directly with suppliers to raise awareness of more sustainable chemical use and the preservation of grassland habitats.

Opportunities: Alex Begg follow the ZDHC (Zero Discharge of Hazardous Chemicals) Roadmap to Zero programme. Through initiatives such as the CapraCare project and membership of the Sustainable Fibre Alliance, Alex Begg nurtures close relationships with key suppliers and improves traceability of raw materials.

Progress 2021: Alex Begg worked to minimise the environmental impact of their raw materials (cashmere and wool), change over to responsibly produced and recyclable packaging materials, and reduced waste.

Relevant planet SDG targets



7.3 Double the improvement in energy efficiency



12.2 Sustainable management and use of natural resources



12.4 Responsible management of chemicals and waste



12.5 Substantially reduce waste generation

Höganäs

Main impacts: Höganäs have a significant carbon footprint and produce large quantities of residual materials.

Challenges: Some of the technologies and solutions to enable Höganäs to become climate neutral by latest 2045 do not currently exist. It is also a challenge to find use for residual materials.

Opportunities: In 2021, Höganäs began implementing their Climate Roadmap to become climate neutral by latest 2045, and are involved in innovative collaborative projects to develop the solutions necessary for climate neutral steel production. There are many opportunities to reuse residual products, which can contribute to a more circular business forward.

Progress 2021: Höganäs are on course to achieve their interim target to reduce scope 1 and 2 emissions by 30 per cent by 2026. 75 per cent of process-related residual materials were reused either internally or externally in 2021.

Profit and Prosperity

Our ambition is to inspire our companies to shape innovative strategies and solutions that create value for customers and society at large, and reduce negative impact.

Challenges

- Delivering the products and services customers demand, while ensuring they have positive societal impact
- Investing sufficient resources in R&D
- Our ability to exercise leadership in traditional industries

Opportunities

- Full company control enables the prioritisation of products with lower impact
- Our purpose drives our development
- Being privately owned allows us to invest long-term rather than having to focus on quarterly financial return

Our approach

As an owner of industrial companies, the value we create is primarily generated through our businesses and the solutions they bring to market. Our role is to set the right level of ambition, stimulate innovation, as well as empower our companies to deliver and invest in value-adding sustainable solutions for their customers.

As a Group, we are active in industries that include coatings, artist materials, metal powders and textiles. Although the value we deliver may vary, each of our companies have opportunities to make a positive difference, such as reducing the negative impacts of their operations. They can also develop solutions that either support the transition to a circular economy, enhance social equality or improve people's lives in other ways.

Progress

Beckers – the new Beckry®Core Core Plate Varnish (CPV) helps the e-mobility industry by enabling electric motor innovation and efficiency – to contribute towards a low-carbon society.

Colart – the plastic trays used in paint sets are now made using recycled plastic and the single use plastic outer cartons on Winsor & Newton Graphic art range has been replaced with FSC cardboard.

Alex Begg – new product ranges of patchwork blankets and CashAyr scarves created from upcycled products.

Höganäs – Höganäs' BrazeLet F300-20 and BrazeLet F86 are iron-based stainless brazing filler metals that offer significantly lower metal ion leaching to drinking water.

Relevant profit and Prosperity SDG target



8.2 Diversify, innovate and upgrade for economic productivity



8.4 Improve resource efficiency in consumption and production



9.4 Upgrade all industries and infrastructures for sustainability



9.5 Enhance research and upgrade industrial technologies



12.6 Encourage companies to adopt sustainable practices and sustainability reporting



16.5 Substantially reduce corruption and bribery

Working in partnerships

Lindéngruppen work in strategic partnerships with organisations working within art, education, integration, and children's rights. Our commitments help us achieve our purpose while providing opportunities for us to work with societal actors that share our ambition to make a difference to the wider community – on both local and global level. Lindéngruppen supports and collaborates with the following organisations:

Promoting children and young people

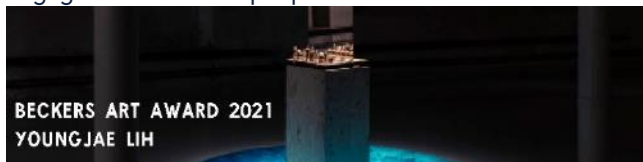
Global Child Forum – an independent platform that brings businesses, and regional and global stakeholders together to foster dialogue and spur action for social change around children's rights.

Motivationslyftet – works with schools to strengthen young people's motivation and self-leadership. A five-step method has been developed to support high school teachers and strengthen core values in schools.



SEK **11** MILLION

In 2021, we contributed SEK 11 million which is 10 per cent of our costs to various initiatives combined with time and engagement from our people.



Research on sustainability and business

Blekinge Institute of Technology – carries out ground-breaking research in the field of strategic sustainable development.

Lund University School of Economics and Management – one of the leading business schools in Sweden.

AB Wilh. Beckers Jubileumsfond (Jubilee Fund) – finances PhD studies for chemists specialising in materials technology for paint and surface treatment.

Svensk Kolinlagring – a platform for researchers, farmers and companies with the objective to promote carbon sequestration and regenerative practices in Swedish agriculture.

Inner Development Goals – a blueprint of the capabilities, qualities and skills needed to achieve the 17 Sustainable Development Goals (SDGs).

Promoting art and culture

Färgfabriken – an art space for contemporary cultural expression to foster free and creative thinking in art, architecture and urban planning.

Beckers Art Award – established in 1987 and presented annually to a young Swedish artist.

Höganäs Museum och Konsthall – a local museum and exhibition hall.

Contributing to integration

Tillväxt Helsingborg – tackles segregation and social exclusion among young adults by helping them to find work with local businesses in the southern Swedish city of Helsingborg.

HIF i Samhället (HIF in the Community) – an outreach programme run by Helsingborg's IF football club that supports and involves young people.

BECKERS ART AWARD 2021

The recipient of Beckers Art Award was Youngjae Lih. Through his deep personal understanding of the ways in which technology works, he creates works of art that produce poetic qualities and unique experiences.

Beckers

Beckers sponsors a variety of academic research, with a number of active and future planned PhD studentships at various universities, including **Swansea**, **Sheffield**, **KTH**, **Imperial College London** and **Liverpool**. The research topics cover areas that support Beckers' sustainability strategic priorities.

Several projects are run to support the communities Beckers operates in. Company employees can volunteer to support local initiatives. One of the biggest, long-term projects is a partnership with **Star for Life** in South Africa, which motivates students to invest in their schooling and overall well-being.

In 2021, Beckers began a more strategic and systematic approach to their community engagement. With the goal to be a socially engaged business, Beckers agreed on the single global common cause of 'children & youth' and are in the process of selecting NGOs, charities and partners to work with.



Colart

Winsor & Newton collaborated with the **Museo Nacional Thyssen-Bornemisza** in Madrid to mark the first retrospective in Spain on Georgia O'Keeffe (1887-1986). O'Keeffe frequently worked in watercolour, using Winsor & Newton. Winsor & Newton lent items from their archive for the exhibition to help recreate her studio.

Liquitex supported the **Black Art Futures Fund** as part of Black History Month and the Fire Island Artist Residency in support of the LBGTQIA+ community during Pride month. Liquitex also runs the '**Just Imagine**' residency programme at a dedicated art studio.

Both Winsor & Newton and Liquitex run **The Fine Art Collective** outreach programme for students. The programme raises awareness of Colart's products whilst raising awareness of safe practice, sustainability and the importance of archival responsibility.

Colart partners with various charities in the UK and France to help distribute their discontinued stock. Colart also ask their people to engage with local communities.

Alex Begg

Alex Begg is a member of the **Sustainable Fibre Alliance** and contribute towards the work of the organisation. The company CEO has committed to undertake the lead role on sustainability within the **Scottish Textiles Industry Leadership group**.

Alex Begg has joined forces with **Dumfries House** to provide access to textile training centre **Future Textiles**, an umbrella initiative for courses including one for learning industrial sewing skills to prepare people to work in the textile industry.

Alex Begg also entered into a partnership with **Sentier d'Action Europe**. Together they have improved recreational facilities for young people at boarding school.



Höganäs

Höganäs collaborates with the Swedish iron and steel producers' association, **Jernkontoret**, concerning issues such as regulations, educational standards and research collaborations.

Höganäs is a member of **EIT RawMaterials**, which is a network that works for sustainable raw material production in Europe. Through the network, Höganäs participate in EU-funded projects involving collaboration with industry, universities and research institutes in Europe to develop materials and solutions such as for the deposition of slag, and alternatives to materials that contain critical or hazardous materials.

In Sweden, Höganäs run projects with research institutes such as **RISE** and **SWERIM** that cover sustainability aspects. European research institutes that Höganäs collaborate with include **VTT** and **Fraunhofer**. Höganäs also work on sustainability-related projects together with **KTH**, **Chalmers** and universities in Uppsala, Luleå, Stockholm and Lund.

03

Board of Directors' Report

The Board of Directors and CEO of Lindéngruppen AB, reg. no. 556205-4956, herewith present the Annual Report and consolidated financial statements for the financial year 2021. These can be found on pages 23–32 and 66–118.

Lindéngruppen has prepared a Sustainability Report in accordance with the Global Reporting Initiative's guidelines (GRI Standards). The Sustainability Report meets the requirements of the Swedish Annual Accounts Act chapter 6 paragraph 11 and can be found on pages 1–22, 26–30 and 33–65 in this report.



Business performance

2021 was a strong year for Lindéngruppen. Operating profit increased by 77 per cent, driven by the recovery in Höganäs and Colart's improved result. Margins were negatively impacted by higher raw material prices but compensated by higher sales. Working capital increased due to higher prices and higher inventories to compensate for international freight and supply issues.

Group companies

Beckers

Beckers is a global market leader in coil coating and a leading supplier of industrial paints. The company provides unique high-quality coating solutions primarily used in the construction sector, in industrial and consumer products.

Colart

Colart is a world-leading arts material company that offers products used by millions of artists around the globe. Colart's vision is to inspire every artist in the world.

Alex Begg

Alex Begg is a specialised manufacturer of luxury textiles such as cashmere wraps, scarves, throws and knitwear. The textiles woven and knitted by Alex Begg are sold under the names of some of the world's most prestigious luxury brands as well as under their own Begg x Co brand. The legal name of Alex Begg is Moorbrook Textiles Ltd.

Höganäs

Höganäs is the world's largest producer of metal powder. The powder is used in a wide variety of applications, from manufacturing of gearboxes and electric engines to the removal of contaminants in drinking water. Höganäs is 50 per cent owned by Lindéngruppen.

Pilskytten Lantbruk

Pilskytten Lantbruk creates value by cultivating arable land with an aim of transitioning to a regenerative agriculture. The farm is located outside Helsingborg and is fully owned by Lindéngruppen.

Christinelund Dressage

Christinelund Dressage trains and develops dressage horses to the highest level in a sustainable business that focuses on the horses' well-being. The facility is located outside Helsingborg and is fully owned by Lindéngruppen.

Significant activities

Beckers

- Managed raw material issues related to inflation and shortages
- Defined the foundation of their sustainability journey, secured buy-in among employees, and began implementation
- Strengthened management team: several senior recruitments were made during the year including the appointment of a new CTO and a new president for southern Europe and Africa

Colart

- Colart brands remained highly sought after as national lockdowns boosted consumer engagement with art
- Continued to carefully manage operating expenses due to global shortages of key raw materials, significantly

higher freight costs and adverse foreign currency movements

- Clarified their sustainability journey towards 2025 by including eNPS to increase social value and develop a plan towards zero accidents. They also introduced a packaging strategy, focused on reduction of single use plastic and a move towards circular packaging as well as initiating B corp certification process

Alex Begg

- A strong recovery in deliveries to high profile customers and online sales of own brand Begg x Co
- Alex Begg introduced upcycled and recycled materials in their product range. For example, they launched a variety of patchwork blankets and CashAyr scarves, woven with residual material

Höganäs

- Rapidly recovering demand within automotive, combined with cost and working capital reduction activities, significantly improved operating income with new all-time high invoicing levels
- A roadmap to climate neutrality by latest 2045 was formalised into 170 activities corresponding to almost 90 per cent of the company's emissions in scope 1 and 2, and in a detailed mapping of upstream scope 3 emissions

Christinelund Dressage

- New management in place, including Head of Operations

Pilskytten Lantbruk

- 60 of its 650 hectares have adopted regenerative farming practices to enhance soil health and store carbon

Sales and earnings

The Group's sales increased to SEK 8.3 (7.6) billion. The Swedish share of the Group's sales was 3 (3) per cent. Operating profit amounted to SEK 762 (431) million driven by the recovery in Höganäs and improvements in Colart. Return on capital employed was 9 (5) per cent.

Net sales per Group company (SEK million)

| Net sales per Group company (SEK million) | | | % actual exchange rates | % constant exchange rates |
|---|--------|-------|-------------------------------|---------------------------------|
| | 2021 | 2020 | | |
| Beckers | 6 438 | 5 853 | 10% | 15% |
| Colart | 1 662 | 1 562 | 6% | 11% |
| Alex Begg | 183 | 164 | 12% | 12% |
| Other | 28 | 13 | 115% | 115% |
| Lindéngruppen | 8 311 | 7 592 | 9% | 14% |
| Höganäs | 10 527 | 8 645 | 22% | - |

Net sales growth was driven by price increases introduced to compensate for higher raw material prices and the recovery of volumes negatively impacted by Covid-19 in 2020. In most markets, Beckers' volumes returned to pre-Covid-19 levels. The demand on Colart's brands remained robust as national lockdowns facilitated consumer engagement with art. Alex Begg's sales were boosted by SEK 13 million following the acquisition of Scott & Charters at the end of 2020. Sales at Höganäs were driven by the rapidly recovering demand for metal powders, primarily within the automotive sector.

Financial position

The Group's financial position remains strong, with an equity/assets ratio of 66 (63) per cent. The Group's net interest-bearing debt (interest-bearing liabilities, including provisions for pensions, less cash & cash equivalents and interest-bearing receivables) amounted to SEK 794 (598) million at year end. Higher sales and raw-material prices in combination with higher inventory levels to mitigate freight and supply issues, resulted in higher working capital and higher debt.

Cash flow from operating activities was SEK 12 (520) million. The decrease in cash flow was due to higher working capital. The Group's cash, including unutilised credit facilities, amounted to SEK 1 848 (2 204) million at year end. Interest coverage ratio was 17,8 (9,0). The lower liquidity, including unutilised credit facilities, was due to the higher working capital and repayment of credit facilities during the year.

Investments

The Group's investments in property, plant and equipment and intangible assets amounted to SEK 231 (144) million. In 2020 investments were postponed in order to increase liquidity to mitigate expected effects of the pandemic.

Sustainability

The Group's environmental permits are mainly related to manufacturing processes where the environment is affected by air emissions. All subsidiaries have the necessary permits, but the ambitions are even higher in most cases. In Sweden, the Group has one operation that is subject to a permit related to air emissions. The majority of the Group's facilities are certified to the quality standard ISO 9001 and the environmental management system ISO 14001. For further information regarding sustainability governance and performance, please refer to the Sustainability Report, pages 1–22, 26–30 and 33–65.

Subsequent events**The war in Ukraine**

Lindéngruppen's sales to Ukraine and Russia amounted to SEK 139 million in 2021, which corresponds to less than 2 per cent of the Group's sales. After the balance sheet date, accounts receivable and inventories have been written down by SEK 46 million. There are no subsidiaries in Russia or Ukraine. Some deliveries of raw materials and energy are affected by the conflict, which affect Höganäs in particular. Raw material and logistics prices are also expected to rise, which primarily affects Beckers.

Proposed appropriation of profits**Unrestricted equity in the Parent Company (SEK)**

| | |
|--------------------------|---------------|
| Retained earnings | 5 774 345 556 |
| Profit/loss for the year | 159 163 735 |
| | 5 933 509 291 |

The Board proposes that the available profits and unrestricted funds be distributed as follows (SEK):

| | |
|-------------------------------------|---------------|
| Dividend (250 000 shares x 200 SEK) | 50 000 000 |
| Retained earnings | 5 883 509 291 |
| | 5 933 509 291 |

The Board and CEO confirm that the consolidated annual financial statements have been prepared in accordance with international financial reporting standards (IFRS), as adopted by the EU, and provide a true and fair view of the Group's financial performance and position. The parent company's annual financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and provide a true and fair view of the company's financial performance and position. The Board of Directors' Report for the Group and the parent company provides a fair overview of the development of the Group's and the parent company's operations, financial position and performance and describes material risks and uncertainties faced by the parent company and Group companies.

Governance

We define clear and ambitious goals for our companies and expect high performance. Our aim is to create stimulating and result-oriented environments in which both companies and people can develop and thrive.

The annual edition of our internal corporate governance document – The Lindéngruppen Way – clarifies the division of responsibility and authority within the Group. The Group companies and Boards have the operational responsibility for developing strategies and measurable goals and integrating them into the business plans. Lindéngruppen's governance is based on the ability of the Group companies to act quickly and smoothly in order to efficiently drive operations forward.

Our companies are expected to conduct their business with the highest standards and in accordance with Lindéngruppen's values. By doing so, our companies also promote high standards globally among their suppliers, customers, and other partners throughout their entire value chain. All our companies work in line with Lindéngruppen Code of Conduct. Our companies also have business partner Code of Conducts that they expect their partners to follow.

Any breaches of the Lindéngruppen or company Code of Conduct are reported at each company Board and management meetings to decide how to appropriately react and respond to individual cases.

Purpose driven business

Lindéngruppen's purpose is to empower our companies to prosper and lead the transition to a sustainable world. To deliver on our purpose we base our business model on our values:

- **Authenticity** – we are being authentic in everything we do – we live by our values and respect the integrity of others
- **Curiosity** – we are having the courage and curiosity to create space for innovation and ideas that stretch our view of what is possible
- **Long-term view** – we invest long term in companies that create value to create successful companies that can lead the transition to a sustainable world

The business model is expressed by using the owner company's capital, a decentralised governance model and values-driven leadership. The aim is to strengthen the companies in the Group as they work to drive sustainability in their own industries and deliver lasting value to all relevant stakeholders.

The Boards and management teams in the Group use Lindéngruppen's purpose as a starting point when developing their strategies and integrating measurable goals into their business plans.

For more information about the Lindéngruppen Board, see pages 38–39.

Accountability and alignment

Lindéngruppen have a decentralised governance model, whereby our Boards and management teams have clear mandates, and are aligned with our purpose, as well as the strategic direction of the Group.

We also have strategic partnerships with external organisations and academic institutions to strengthen and support our companies.

The Lindéngruppen Way

In our internal governance document, The Lindéngruppen Way, we encourage our businesses to define a high level of ambition and strong degree of collaboration with other companies and businesses. Our decentralised management model, which is built for clear accountability and long-term thinking, provides our companies with the space to explore viable alternatives for the future.

Our Code of Conduct

The Lindéngruppen Code of Conduct clarifies the expectations of all our employees and includes among others our approach to human rights and that we have zero tolerance for corruption and discrimination. The Code of Conduct is central to our relationships with suppliers, customers, partners, and society. It also underlines the right to unionise and to collective bargaining.

All Group companies' codes comply with the Lindéngruppen Code of Conduct. New employees are expected to sign the Code of Conduct for the company they work for.

We embrace, support and act in the areas of human rights, labour standards, the environment and anti-corruption as expressed in the ten principles of the United Nations Global Compact, the Universal Declaration of Human

Rights, the Core ILO Conventions, the UN Guiding Principles on Business and Human Rights, the UN Convention on the Rights of the Child and the Children's Rights and Business Principles.

Beckers, Höganäs and Colart also have Code of Conduct e-learning training in place. Alex Begg has annual team meetings to make sure all employees understand the company's code.

Our sustainability framework

Lindéngruppen's sustainability framework is aimed at ensuring ambitious and proactive sustainability work in the Group companies. The framework helps Group companies to develop work on aspects such as health and safety, the children's rights perspective, human rights, business ethics, environmental work and making sustainability an integral part of product development. It also helps to ensure that risks are managed, and that progress and best practices are shared within the Group.

Whistle-blowing

Lindéngruppen and each Group company have a whistle-blower system in place for employees to report possible non-compliances related to the Group's Code of Conduct, one of the company codes or any other illegal behaviour. In 2021, 0 cases were reported through the parent company whistle-blower system and collectively 20 cases through the whistle-blower systems of Group companies. All reported cases have been investigated and relevant actions have been taken when necessary.

Opportunities

- Our strong governance system based on our purpose and values makes us more resilient than our competitors
- As a family-owned company, we make long-term decisions that are purpose-driven
- Our stable ownership and strong values make us an attractive employer
- We are agile and have fast decision-making processes

Challenges

- Building a common culture of high standards of business ethics in a global organisation with a strong local presence in different markets and cultures
- Implementing our business ethics throughout the entire value chain – including partners and end-users
- Implementing our governance in complex markets with high risks for corruption and labour and human rights violations

Investments, research and development

Our companies have comprehensive R&D capabilities that drive product development and collaborate with both internal and external partners. Larger investments are decided and implemented on an ongoing basis.

Beckers

The new strategy at Beckers has significant focus on R&D and innovation to develop more sustainable products. Beckers have a global R&D organisation to share knowledge and maximise resource efficiency and leverage. Beckers is increasingly focusing on technology scouting by looking outside the company and the traditional supplier base for emerging new technologies that will promote innovation – especially within sustainability.

Investments within Beckers focused on sustainability and factory modernisation. Environmental investments include VOC (Volatile Organic Compounds) abatement systems in China, solar panel installation in India and Poland and roof insulation projects in the USA and Sweden. People investments include fire safety in Sweden, UK and India. Factory modernisation projects aimed to increase capacity and productivity at a resin plant in India, resin storage in France and a new production building in Sweden.

Colart

At Colart, R&D is a collaboration between the brand team, the R&D laboratory at the head office in London and the new product development team in Le Mans, France.

Brand plans with sustainability at their core are integrated into the R&D roadmap and managed by the new product development team.

Products that were launched during the year included the repackaging of the Winsor & Newton Graphic art sets,

moving away from single use plastic to FSC cardboard. Snazaroo also launched new biodegradable glitter products and Liquitex launched ten new ink colours.

External stakeholders were engaged in consumer research, such as research into what sustainability means to consumers.

Colart maintained a high level of investments worldwide that focused on sustainability, capacity, productivity and well-being. About 10 per cent of investments were dedicated to virus-proofing activities such as a changing room refurbishment and the automation of doors. Safety investments included new conveyors, Automatic Guided Vehicles, adjustable tables, and exoskeletons. New mixers for high volumes and a new filling line were launched, which will reduce water and energy use. Solar panels were installed in France, and the new building at Minehead, UK improved employee well-being and provided a lean production area.

Alex Begg

Alex Begg is partnering with a new organisation to develop better quality recycled material to produce high-quality sustainable end products. The company has also established an R&D partnership with a machinery equipment partner to significantly reduce waste in the manufacturing process. Other important R&D themes are related to achieving climate neutrality and the circular economy.

Investments have been made at the production sites in both Ayr and Hawick. The purpose has been increased capacity, improved efficiency and quality. Investments in 2021 amount to SEK 5.4 million.

Höganäs

Höganäs R&D functions employ about 130 engineers and technicians, mainly in Sweden. In 2021, the focus was on continuing to develop new alloys, products and applications that are adapted to market needs. Customers' processes around the world are available at the Customer Development Centre and are used for the optimisation of new materials and products, the implementation of customer-specific investigations, pilot-scale manufacturing and for internal and external training.

The pandemic in combination with previous long-term investments has kept the investment level at relatively lower levels during 2020 and 2021. Both years have had a strong focus on maintenance and supervision. However, a number of major investment decisions were made in 2021, primarily linked to new production equipment in Sweden and Germany (EUR 6 and 8 million) and a new Customer Development Centre (Arc X) in the USA.

Risk management

Lindéngruppen companies are exposed to a number of significant risks and uncertainties. We work to identify, assess and manage these risks and uncertainties to minimise their impact on our companies.

Risk assessment identifies and evaluates internal and external risks that the Group is exposed to and is a continuous process. The Boards and management of the Group's companies regularly monitor compliance with policies and guidelines, and the adequacy of financial reporting. Below we describe the significant risks and uncertainties that the Group faces. For a comprehensive description of how we manage risks, see pages 40–44.

Business-related risks

Combustion engine exposure

Höganäs supplies the traditional automotive industry, which is expected to decline in the coming decades. This may result in decreased sales and revenue for Höganäs if alternative markets are not found. There is uncertainty around how quickly the traditional automotive industry will decline.

- In a longer perspective, Höganäs develops products with higher added value and a focus on areas of the future
- As the proportion of electric vehicles increases, new opportunities open up for Höganäs' technical innovations

Product claims

Beckers is exposed to the risk of liability claims such as warranty or product liability claims. Such claims could result in significant financial costs for Beckers.

- Beckers is covered by traditional insurance policies with standard limitations

Exposure to larger customers

Colart has a high proportion of sales in North America and is exposed to large retail chains. This dependency on a few large customers risks reduced sales, should one or more of these large retail chains stop selling Colart products for whatever reason.

- Colart has established strong relationships with a number of retailers in various sales channels
- Colart has strong brands and continuously develops relationships with end users

Financial return

If our companies do not generate profit, we will not survive in the long term.

Sustainability-related risks

As industrial companies, our businesses have environmental impacts that are related to energy-intensive operations, chemical use, complex supply chains and a large proportion of people working in production. We also have a social responsibility, especially since our businesses operate 46 factories and have suppliers in regions deemed as medium to high risk – in terms of labour law, human rights, forced labour and the environment – including China, Mexico, Brazil and Malaysia.

Carbon emissions

The energy-intensive operations of our companies pose risks related to not being able to de-carbonise fast

enough to meet the expectations of our stakeholders and society in general. Höganäs is responsible for the vast majority of our carbon emissions (93 per cent) and is under pressure to rapidly decarbonise its operations. Uncertainties include how quickly stricter regulations on carbon emissions will be introduced and if competitors can decarbonise quicker than Höganäs.

- Höganäs has developed a Climate Action Plan to become net-positive by 2045 including all scopes
- Lindéngruppen has set the target of becoming Climate positive by 2030

Sustainable products

All our companies must develop more sustainable products. Failure to meet the growing demand for more sustainable products will significantly reduce revenue and sales for our companies. There are uncertainties regarding what will be technically possible in the foreseeable future in terms of developing more sustainable products.

- All Group companies work to define their sustainable product offering

Responsible tax practices

Violating or non-compliance with tax regulation could result in significant financial penalties for Lindéngruppen.

- Lindéngruppen has a clear and well communicated tax policy that is implemented throughout the Group

Circularity

The failure of our companies to implement more circular operations will result in greater production costs due to the less efficient use of resources. It will also reduce the appeal of our products as customers increasingly take a lifecycle perspective on the products they purchase. There are uncertainties related to how quickly new circularity legislation will be implemented around the world and to what extent Lindéngruppen companies will be able to lead their respective markets in terms of circularity.

- All Group companies are investigating new recycled input materials together with their suppliers
- Lindéngruppen has set the target of having zero waste by 2030

Financial-related risks

The financial policy and instructions for financial risk management are part of the internal governance document, The Lindéngruppen Way, a comprehensive document that clarifies the division of responsibility and working methods in the Group. The Group's financial risk level is generally considered to be low, particularly in view of its strong financial position, with an equity/assets ratio of 66 (63) per cent.

Liquidity/funding risk

Liquidity/funding risk is the risk that arises in a scenario where the Group is no longer able to discharge its contractual obligations through access to funding at reasonable market prices.

- The maturities of the main financing arrangements are long term
- Outstanding credit facilities are renegotiated well in advance
- Liquidity forecasts are prepared in order to monitor and predict liquidity development in the short term. In the longer term, budgets and forecasts are drawn up

Further information about the Group's financial risks can be found in note 25 'Pensions' and note 29 'Financial risk management and financial instruments'. Please also refer to note 38 'Significant accounting estimates' regarding risks related to measurements of assets and liabilities.

Outlook

All our companies continuously assess the market outlook in their industry. There are currently many uncertainties in the world, but several trends and opportunities for growth can be identified.

Overall, the Group has good prospects for the future, with a strong balance sheet, leading positions in attractive markets and often as a sustainability frontrunner.

Covid-19 continues to be an uncertainty and its effects are impossible to predict. However, all businesses are in full operation and have well-established capabilities to manage the continuing negative effects.

The war in Ukraine will change the conditions for our business in 2022. We see opportunities for growth even in a changing world due to our strong business models and customer offerings combined with the past years' experience of dealing with unforeseen events.

Market outlook for 2022 and beyond

Beckers

Global demand recovered in 2021 with construction rebounding as societies reopened. This resulted in tension in the supply chain with demand-supply imbalances, shortages of key raw materials, and an unprecedented raw material price escalation. These imbalances and shortages are expected to continue into 2022, intensified by the war in Ukraine.

Business was strong in both coil coatings and industrial coatings and almost returned to pre-pandemic volumes at the end of 2021.

In 2022, Beckers will be directly affected by halted sales to Russia and Ukraine, which accounted for 2 per cent of

Beckers' sales in 2021. Beckers' total volumes are expected to increase despite the absence of sales in Russia and Ukraine, and growth is expected to be positive in the medium and long term. Raw material prices are negatively affected, as an indirect effect. However, we do currently not see any shortages of raw materials.

Colart

The pandemic has driven a fundamental shift in consumer purchasing behaviour and over 30 per cent of all sales for Colart's products are now being sold on various e-commerce platforms – including retailer-owned websites and marketplaces such as Amazon. Prior to the pandemic, such channels accounted for less than 20 per cent of sales. As a result, Colart have increased their focus on helping leading retailers build their understanding and knowledge of how to attract shoppers digitally. This digital presence will continue to be crucial in 2022 and beyond.

There has been high demand for Colart's brands, with national lockdowns enabling consumers to devote more time to art. There is a risk of this demand returning to normal levels.

The war in Ukraine is likely to lead to higher costs of raw materials and logistics.

Alex Begg

The Covid-19 pandemic has been a catalyst for sustainability and digitalisation in the luxury fashion

industry, with opportunities for Alex Begg to further develop their brand and business in 2022. There are clear trends and consumer demands for more ethical and sustainable consumption. Alex Begg is taking advantage of the digitalisation trend and strengthening its work on sales in e-commerce channels. In 2022, the company will focus on sustainability in line with customers' expectations of climate neutrality and circularity by developing new products and business models.

Challenges in the logistics chain due to changed transport routes caused by the war in Ukraine are expected to result in longer delivery times. The war is expected to have a negative effect on luxury goods consumption as this is influenced by the general confidence in the future in society.

Höganäs

The outlook for 2022 was good with high economic activity. However, the war in Ukraine may have consequences in the form of availability and prices of gas and certain raw materials. Production in the automotive industry was previously expected to increase in 2022 but this has also been revised as a result of the war. One of the reasons is that a number of suppliers to the European automotive industry are located in Ukraine. However, the most recent vehicle production forecast, taking into account the conflict-related disruptions, indicates a higher output than in 2021.

Five-year summary

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|-------|--------|--------|--------|--------|
| Net sales, SEK million | 7 481 | 7 941 | 8 588 | 7 592 | 8 311 |
| Operating profit, SEK million | 260 | 454 | 512 | 431 | 762 |
| Finance income and expenses, SEK million | -47 | 23 | -31 | 5 | -29 |
| Profit before tax, SEK million | 213 | 477 | 481 | 436 | 733 |
| Profit for the year (after tax), SEK million | 58 | 303 | 336 | 346 | 615 |
| Gross margin, % | 28,2 | 27,5 | 28,3 | 30,6 | 27,1 |
| Profit margin, % | 2,8 | 6,0 | 5,6 | 5,7 | 8,8 |
| Total assets, SEK million | 9 441 | 10 167 | 10 637 | 10 333 | 11 433 |
| Equity, SEK million | 5 820 | 6 353 | 6 571 | 6 493 | 7 497 |
| Capital employed, SEK million | 6 907 | 7 534 | 8 088 | 8 177 | 8 405 |
| Net interest-bearing liabilities, SEK million | 930 | 826 | 932 | 598 | 794 |
| Return on capital employed, % | 4 | 7 | 6 | 5 | 9 |
| Equity/assets ratio, % | 62 | 62 | 62 | 63 | 66 |
| Interest coverage ratio, times | 6,9 | 10,8 | 9,3 | 9,0 | 17,8 |
| Investments, SEK million | 441 | 308 | 171 | 144 | 231 |
| Cash flow from operating activities | 21 | 150 | 347 | 520 | 12 |
| Average number of employees | 3 111 | 3 126 | 2 998 | 2 847 | 2 878 |

Key figures are based on the accounting policies applied for each financial year, i.e. historical figures have not been restated.

Definitions

Gross margin

Gross profit divided by net sales.

Profit margin

Profit before tax divided by net sales.

Capital employed

Average total assets less non-interest-bearing liabilities and deferred tax liabilities.

Interest-bearing net-debt

Interest-bearing liabilities and pension provisions less cash & cash equivalents and interest-bearing receivables.

Return on capital employed

Profit before tax plus net interest income/expense, exchange differences on interest-bearing items and changes in the value of hedges of interest-bearing items divided by average capital employed.

Equity/assets ratio

Equity divided by total assets.

Interest coverage ratio

Profit before tax plus interest expenses, exchange differences on interest-bearing items and changes in the value of hedges of interest-bearing items divided by interest expenses.

Investments

Investments in property, plant and equipment, intangible assets and investment properties.

04

Sustainability management

The Lindéngruppen Sustainability Report provides an update on the Group's sustainability progress in 2021 and its ambitions going forward.

Alicia Ahlström, Gustav Sturk
& Jukka Viitasara
SJÖHÄSTAR / SEAHORSES; Wave Breaker.



Scope and boundary of Sustainability Report

This 2021 Sustainability Report summarises how Lindéngruppen AB, reg. no. 556205-4956, integrates relevant social, environmental and economic priorities into its business and throughout the Group's companies.

Lindéngruppen has reported in accordance with the GRI Standards 2021 for the period from 1 January to 31 December 2021. The Sustainability Report is written from the perspective of the parent company.

The scope of the Sustainability Report covers material sustainability impacts and activities within the parent company and the four main businesses.

The Sustainability Report is inspired by our four pillars: Governance, People, Planet, Profit and Prosperity, as well as core metrics and disclosures found in the World Economic Forum (WEF) White Paper 'Measuring Stakeholder Capitalism'. The report fulfils the disclosure requirements set out in the Swedish Annual Accounts Act, chapter 6 paragraph 11. It is also Lindéngruppen's Communication on Progress Report (CoP) towards the UN Global Compact.

Where relevant, this report also highlights how the Group's priorities reflect our commitment to three sustainable business principles:

- UN Global Compact's ten principles for labour and human rights, the environment and anti-corruption
- The Guiding Principles on Business and Human Rights
- The Children's Rights and Business Principles

In relation to the core metrics and disclosures suggested by the WEF White Paper, the Group does not report on land use and ecological sensitivity as investigations are

ongoing to understand if these topics are relevant for Lindéngruppen to report on or not. Work continues to analyse water consumption in high water-stressed areas.

In 2021, Lindéngruppen, with our head office in Höganäs, Sweden, wholly owned three main businesses: Beckers, Colart, Alex Begg, and had a 50 per cent share in Höganäs. This report covers these four entities.

The Sustainability Report covers the calendar year from January to December 2021, when 14 people were employed by the parent company and a total of 5,329 employees within the four Group companies.

Some recalculations of information from the previous report have been made for Höganäs (see page 57). Information on business and financial performance and risk is provided in the 2021 Sustainability Report, available on pages 1–22, 26–30 and 33–65. This report has been approved by Lindéngruppen's Board of Directors.

The Sustainability Reporting Index on pages 60–65 is a merger between disclosures required by the GRI and the WEF White Paper.

See page 122 of this report for the auditor examination of whether a statutory Sustainability Report has been prepared in accordance with the Swedish Annual Accounts Act. The Sustainability Report has not been externally assured.

For more information about our report please contact:

Jenny Johansson
Chief Communications and Sustainability Officer
at Lindéngruppen

jj@lindengruppen.com



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Stakeholders and materiality

Through engagement with external experts and stakeholder validation, we have identified the most relevant and material topics to our business. Our material sustainability topics have been organised into four focus areas – Governance, People, Planet, Profit and Prosperity – that form the basis for Lindéngruppen's sustainability priorities.

A stakeholder-driven model

The Lindéngruppen business model is designed to create long-term financial and non-financial return for our key stakeholder groups. It empowers our companies to deliver sustainable solutions to their customers and end-users, as well as generates value for our people and society at large.

Additionally, we build strong working relationships with financiers, academia, NGOs and other partners. There are strong links between achieving long-term profitability, creating value for our stakeholders, and contributing to global and local communities.

Stakeholder engagement

We engage with stakeholders and society at large in order to better understand the challenges faced by society and our role in addressing them. Dialogue helps us create value by staying ahead of challenges that impact our operations and stakeholders – as well as identifying potential opportunities. The table to the right provides a breakdown of our most important stakeholder groups and the types of dialogue we have with them.

| KEY STAKEHOLDER GROUPS | STAKEHOLDER DIALOGUE |
|-----------------------------|---|
| Our people | <ul style="list-style-type: none"> On-going performance and development talks tailored to each individual's priorities and needs |
| Our businesses | <ul style="list-style-type: none"> Through company Boards Continuous dialogue with our CEOs and senior management Lindéngruppen's annual Global Management Conference On-going dialogue and through the Lindéngruppen Sustainability Framework |
| Our customers | <ul style="list-style-type: none"> Continuous dialogue with our customers to understand their needs and priorities |
| Our suppliers | <ul style="list-style-type: none"> Continuous dialogue with our suppliers to ensure quality and access to sustainable solutions |
| Our owner | <ul style="list-style-type: none"> Continuous dialogue Board meetings |
| Children | <ul style="list-style-type: none"> We have a long-term partnership with Global Child Forum (GCF) working to promote children's rights During 2021, the Children's Rights and Business Workbook, which Lindéngruppen helped to develop in 2020, provided the foundation for Global Child Forum's new Academy that aims to inspire large companies to adopt a proactive approach to children's rights |
| Society and local community | <ul style="list-style-type: none"> Our commitments focus on art, education and local communities. Read more on page 21 |

Materiality analysis update in 2021

Lindéngruppen's materiality analysis was updated in 2021. Key impacts were identified by mapping and prioritising externalities and the affected stakeholders. It was based on internal documentation, interviews, industry analysis, Lindéngruppen's sustainability framework, identified KPIs and projected future priorities. Input was also drawn from previous materiality analyses and our company's annual updates on materiality.

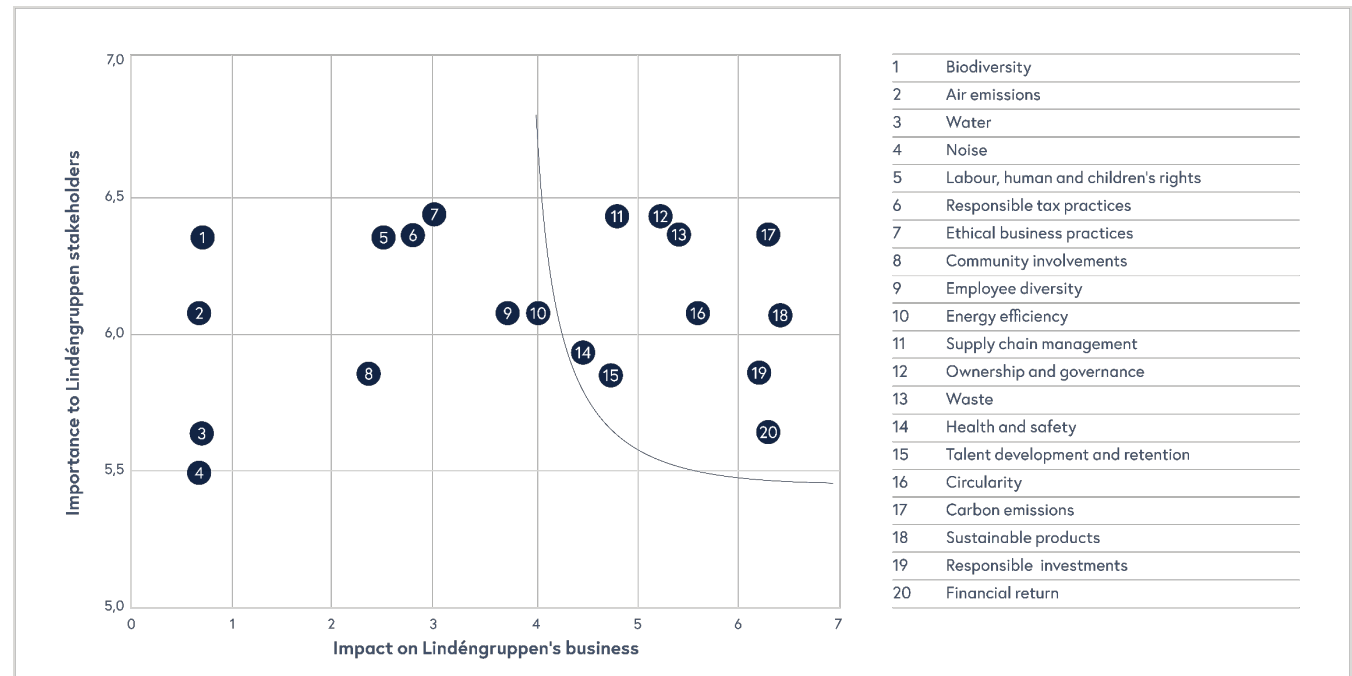
In addition, our material sustainability topics were further developed and validated with a diverse group of external experts.

The materiality analysis highlights sustainability topics where Lindéngruppen and our Group companies have a significant impact on the external environment from an economic, environmental and social perspective – as well as being important for our stakeholders. The outcome of the materiality analysis continues to be aligned with the four focus areas from the World Economic Forum White Paper 'Measuring Stakeholder Capitalism – Towards Common Metrics and Consistent Reporting of Sustainable Value Creation' and our four sustainability purpose priorities.

Stakeholder dialogue

As part of reviewing its material sustainability topics, systematic stakeholder dialogues have been conducted. The aim of the dialogues is to better understand the importance of different sustainability topics and their impact when important stakeholders make professional assessments and decisions in relation to Lindéngruppen's business and operations.

MATERIALITY MATRIX 2021



Group companies – stakeholders and materiality

All our companies have identified their key stakeholder groups and have conducted a materiality assessment for their business.

Beckers

The company's key stakeholders are customers, employees, suppliers, regulators and communities.

Beckers' material topics have been identified based on their relevance to the business in terms of impact and in relation to key stakeholders. In 2019, Beckers conducted an extensive stakeholder dialogue. Based on this process, they reviewed their material topics and developed the Beckers 2030 Sustainability Strategy, which was implemented in 2020 and 2021. An update of material topics is planned for 2022.

Top three issues identified in the Beckers materiality assessment:

1. Product Stewardship
2. Climate Action – Energy and Emissions
3. Occupational Health and Safety

Colart

A materiality assessment was carried out in 2021. Key stakeholders have been identified as employees and employee representatives, consumers and customers, and suppliers, as well as the Board and owner.

Diversity and inclusion featured highly in 2021 as well as digitalisation and plastic packaging. These areas were in focus in 2021 and continue to be in 2022. Climate change will be a key focus for 2022 as Colart outlines their climate neutrality plan.

Top three issues identified in Colart's materiality assessment:

1. Packaging – removal of single use plastic
2. Energy – switch to green renewable sources
3. Our people – Health and Safety, well-being, communication

Alex Begg

The company's materiality assessment was updated in May 2021. A new methodology provided by the Lindéngruppen Sustainability team was used for the assessment.

Alex Begg's key stakeholders are Lindéngruppen, corporate customers and employees. Other stakeholders include suppliers, national and local governments, and children.

Top three issues identified in Alex Begg's materiality assessment:

1. Effective energy management and reduced carbon footprint
2. Skills and capability development
3. Work-life balance and employee well-being

Höganäs

The company's most important stakeholder groups are customers, co-workers, owners and society.

The latest full stakeholder analysis and materiality assessment was made in 2019, which prioritised Höganäs' most important sustainability topics. The assessment included the impact of topics on business stability, long-term profitability, reputation, as well as on performance and the topic prioritisation of external stakeholders.

Updates were made in 2020 and 2021 based on new input from main stakeholder groups.

Top three issues identified in the Höganäs materiality assessment:

1. Zero accidents and healthy workplaces
2. Climate change adaption – toward net-zero climate neutrality by 2045
3. More women and inclusive workplaces

Board of Directors

The Lindéngruppen Board of Directors consists of six members that together bring a wealth of experience and expertise to the management of the Group.

Jenny Lindén Urnes, Chair

Born 1971. BA (Philosophy), Heythrop College, University of London. Nationality: Swedish.

Chair of Färgfabriken Foundation. Board member of Becker Industrial Coatings Holding AB, Colart International Holdings Ltd, Moorbrook Textiles Ltd, Uppstart Helsingborg, Research Institute of Industrial Economics (IFN) and Museum of Artistic Process and Public Art, Lund University (Skissernas Museum).

Previous positions: CEO Lindéngruppen AB, Chair and CEO of AB Wilh. Becker.

Erik Urnes, Vice Chair

Born 1971. BEng (Mechanical Engineering), Imperial College London and MBA, INSEAD. Nationality: Norwegian.

Chair of Bintel AB, SensCom AS and MindPark Group AB. Board member of Höganäs AB.

Previous positions: Chair of Becker Industrial Coatings Holding AB and Colart International Holdings Ltd. CEO Lindéngruppen AB, senior positions at Lindéngruppen companies, Invest Manager Reuters Greenhouse Fund and Strategy Consultant Bain & Company.

Urban Jansson, Board member

Born 1945. Certified banking economist. Nationality: Swedish.

Chair of EAB Group AB, 365id and Terrenus. Board member of Lindhe Xtend AB and Fredblad Arkitekter AB.

Previous positions: Senior positions within SEB and Incentive Group, Vice Chair of SEB, CEO of Ratos AB, Chair of Rezidor Hotel Group, Board Member of SAS, Clas Ohlson and Höganäs AB.

Mikael Ohlsson, Board member

Born 1957. Nationality: Swedish.

Non-Executive director The Royal Schiphol Group and Ikano SA.

Previous positions: Non-Executive Director of Tesco plc (2014-2021), Non-Executive Director of Volvo Car AB (2013-2018), Vice Chair Volvo Car AB (2015-2018), Member of Nomination Committee Volvo Cars (2018-2020), Board Member Global Child Forum (2015-2016), President and CEO of the IKEA Group (2009-2013), Member of IKEA Group executive management group (1995-2013) and various other positions at IKEA since 1979.

Charlotte Strömberg, Board member

Born 1959. MBA, Stockholm School of Economics. Nationality: Swedish.

Board member of Clas Ohlson AB, Kinnevik AB, Höganäs AB and Sofina S.A. Member of The Swedish Securities Council, Co-Founder DHS Ventures and angel investor as well as independent member of Nasdaq Stockholm's Listing Committee.

Previous positions: Chair of Castellum AB, Board member of Skanska, GANT, 4th AP Fund, Rezidor, Swedbank, Intrum, Boomerang, Ratos, Bonnier Holding and Karolinska Institute, CEO JLL Nordics, Head of Carnegie Investment Banking, Senior advisor Alfred Berg, ABN AMRO.

Paul Schrott, Board member and CEO

Born 1967. LL.M (Master of Laws), Uppsala University and University of Minnesota Law School. Nationality: Swedish.

Chair of Becker Industrial Coatings Holding AB and Colart International Holdings Ltd. Board member of Höganäs AB, Axel Johnson International AB and Senior Advisor to Keyhaven Capital Partners Ltd.

Previous positions: Axel Johnson, EQT Partners, KPMG, Electrolux and IKEA.



Lindéngruppen Board
From left: Charlotte Strömberg, Board member; Mikael Ohlsson, Board member; Jenny Lindén Urnes, Owner and Chair; Urban Jansson, Board member; Paul Schrott, Board member and CEO and Erik Urnes, Vice Chair.

Governance structure and composition

The Board of Directors have six Board members, two females and four males. Five of the members have Swedish nationality and one has a Norwegian nationality. The Board of Directors have a joint responsibility for decision-making and in overseeing the management of Lindéngruppens and its Group companies' impacts on the economy, environment, people and human rights.

Three of the members are independent from Lindéngruppen and its Group companies. The CEO of Lindéngruppen is a member of the Board. The Chair and the Vice Chair of the Board is the owner and a related party to the owner. The Chair of the Board of Directors is not a senior executive within Lindéngruppen or within any of the Group companies.

Nomination and selection of the highest governance body

The owner and Chair of Lindéngruppen is responsible for the nomination and selection of the highest governance body. As part of this process the Chair also secures that conflicts of interest within the Board are prevented and mitigated.

Overseeing the management of sustainability impacts

The sustainability progress and performance for Lindéngruppen and its Group companies are reported to the Board of Directors by the CEO and the Sustainability Officer on a quarterly basis or immediately if any material non-compliance or critical concern is reported. The Integrated Annual and Sustainability Report is approved on an annual basis. The materiality analysis, the Value Creation Model and the Group targets for 2030 have been approved by the Board of Directors. All members of the Board have taken an active role in the process of developing the Value Creation Model.

The Board updates its collective knowledge, skills and experience on sustainable development on an on-going basis.

Lindéngruppen's strategic partnerships are to a large extent focused on sustainable development and the Board has at least one meeting per year with a special focus on sustainable development together with invited external sustainability expertise.

Stakeholder opinions and engagement are considered by the Board of Directors. Input is drawn from Lindéngruppen's materiality analysis, the Group companies' materiality analyses but also from interactions that the Board of Directors and Executive Management have with different stakeholder groups in their own capacity.

The CEO has the operational responsibility for Lindéngruppens sustainability impact and how the Group contributes to a sustainable development. The Group Sustainability Officer together with Lindéngruppen people and key people from the Group companies are coordinating and driving the Groups sustainability activities, operations and progress.

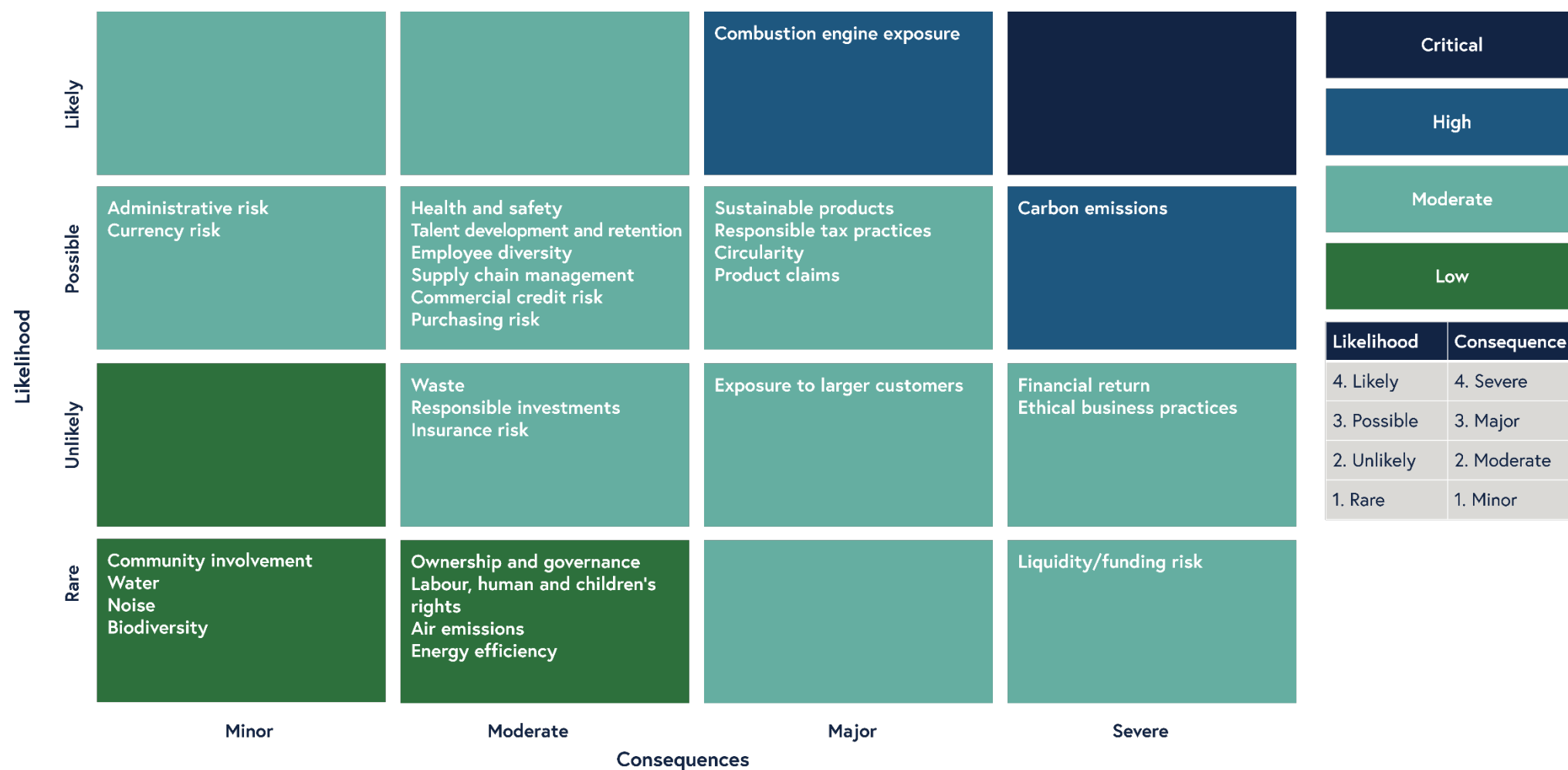
Evaluation of the Boards of Directors

The performance of each Board of Directors is evaluated annually through a process managed by the Chair of each Board. Lindéngruppen's sustainability impact is included in the evaluation process.

Remuneration policies

Throughout the Group, remuneration for the Executive Management include variable pay that is set in relation to the overall achievement of targets including targets on sustainability. Board of Directors are remunerated through a fixed amount which varies from company to company.

Lindénggruppen's risk analysis



| RISK | | RISK MANAGEMENT |
|---------------------------|---|--|
| CRITICAL RISKS | | |
| No critical risks | | |
| HIGH RISKS | | |
| Business risk | Combustion engine exposure <i>Höganäs' operations have high exposure to the traditional automotive industry.</i> | In a longer perspective, Höganäs develops products with higher added value and a focus on areas of the future. As the proportion of electric vehicles increases, new opportunities open up for Höganäs' technical innovations. |
| Environmental risk | Carbon emissions <i>The use of (fossil) fuels for energy purposes can lead to an increasing concentration of carbon dioxide in the atmosphere resulting in an increase in global warming which lead to damages to the environment, crop losses and natural disasters.</i> | We reduce the climate-related and environmental footprint of our products and operations as well as promote products, services and practices that help others along our value chain reduce theirs. All our companies are required to identify and analyse the climate-related and environmental impacts and consequences of their operations and products and have appropriate environmental management systems in place to manage them. |
| MODERATE RISKS | | |
| Social risks | Health and safety <i>Occupational incidents and illnesses resulting from working conditions can directly impact a company's productivity and reputation, but can also affect the employees and their families through healthcare costs, lower income and quality of life.</i> | All our activities are conducted with respect for co-workers' health, safety and privacy. All co-workers shall be provided with a safe and healthy working environment. With leadership and work practices we create a culture where every person takes appropriate action to prevent workplace accidents and illnesses, and where we promote psychological and physical health and well-being for all our people. |
| | Talent development and retention <i>Being a sustainable company with a credible strategy for transformation is a long-term prerequisite for recruiting and retaining the talent we need.</i> | We encourage our co-workers to actively develop their skills, and to help colleagues to develop. We embrace constructive feedback as an important means to grow. |
| | Employee diversity <i>If we are not at diverse workplace that will affect our ability to recruit and retain talent, but a diverse workforce will foremost ensure that we have all relevant perspectives on our business and strategy.</i> | All co-workers must be treated equally, have equal opportunities and not be subject to discrimination based on personal, cultural or cognitive differences. All co-workers are treated with respect and dignity. We have no tolerance for any discrimination, abuse or harassment. |

| RISK | | RISK MANAGEMENT |
|---------------------|--|--|
| MODERATE RISKS | | |
| Social risks | Supply chain management <i>Understanding and securing our supply chains from a sustainability perspective is key for our ability to be sustainable. Having suppliers that do not share our view on sustainability or who does not meet our standard is a risk to our sustainability and our reputation in all relevant respects.</i> | We cooperate with our suppliers and expect the same level of integrity, honesty and ethical behaviour from them as they can expect from us. We are committed to the fundamental principles of human rights, labour rights, the environment and the fight against corruption throughout our operations, and this also includes our suppliers. |
| | Sustainable products <i>If we are unsuccessful in developing sustainable products, it will negatively affect our long-term competitiveness.</i> | We empower positive impact and develop sustainable strategies and solutions that create value both for our customers and contribute to their society at large. |
| Environmental risks | Circularity <i>Achieving circularity is a part of being sustainable, but also a way of securing long term sourcing of the resources we need in order to meet our customers' demands.</i> | Sourcing bio-based and renewable raw materials also creates opportunities for our companies to become more sustainable and circular by identifying and introducing alternative materials into their operations. |
| | Waste <i>Waste generated during operations and the disposal of waste can lead to a range of environmental outcomes that adversely affect human wellbeing.</i> | We expect our companies to work towards zero waste (hazardous and non-hazardous) that is generated during operations. |
| Governance risks | Responsible investments <i>We integrate environmental, social and governance criteria in our investment decisions, and thereby ensure that investments create long-term value.</i> | Our investment guidelines underline that potential impacts on people and the environment should be identified in every investment. |
| | Financial return <i>If we do not generate profit, we will not survive long term.</i> | Being profitable is a proof that what we are doing has a value to our customers and to society. |
| | Ethical business practices <i>Our business is conducted with integrity, and we have zero tolerance for all forms of bribery and corruption.</i> | We do not directly or indirectly (third parties) pay or offer to pay bribes. We disclose all conflict-of-interest situations in accordance with applicable policies, procedures and guidelines. |

| RISK | | RISK MANAGEMENT |
|------------------------|--|--|
| MODERATE RISKS | | |
| Governance risk | Responsible tax practices <i>Tax payments are an important part of our contribution to society.</i> | Every Group company is to pay taxes in the country where they conduct their business. We are committed to transparency on taxes paid on a country basis. Developing structures for the purpose of avoiding taxes is unacceptable practice. |
| Business risks | Exposure to larger customers <i>Colart has a high proportion of sales in North America and is exposed to a number of large retail chains.</i> | Colart has established strong relationships with a number of retailers in various sales channels. Colart has strong brands and continuously develops relationships with end users. |
| | Product claims <i>Beckers is exposed to the risk of liability claims such as warranty or product liability claims.</i> | Beckers is covered by traditional insurance policies with standard limitations. |
| Financial risks | Liquidity/funding risk <i>The risk that arises in a scenario where the Group is no longer able to discharge its contractual obligations through access to funding at reasonable market prices.</i> | <p>Lindéngruppen works with a small number of banks with high credit ratings and with which we have established and maintain a good relationship. The maturities of the main financing arrangements are long term. The Group fulfils financial covenants on loan agreements by a good margin. Outstanding credit facilities are renegotiated well in advance (at least nine months) of maturity.</p> <p>Liquidity forecasts are prepared in order to monitor and predict liquidity development in the short term. In the longer term, budgets and forecasts are drawn up. A liquidity reserve of at least 4 per cent of annual sales must be maintained. See also note 29.</p> |
| | Commercial credit risk <i>Commercial credit risk concerns the potentially negative impact on the Group's earnings if a customer becomes insolvent and fails to fulfil its contractual obligations.</i> | See note 20. |
| | Currency risk <i>Transaction exposure and translation exposure.</i> | See note 30. |

| RISK | | RISK MANAGEMENT |
|------------------|--|---|
| MODERATE RISKS | | |
| Governance risks | Administrative risk <i>The risk of human error, theft, fraud and IT-related loss or damage.</i> | Well-documented processes with internal controls are established. For critical procedures, the transaction must be confirmed by more than one person. Employees are trained and kept updated on potential risks such as fraud. |
| | Insurance risk <i>The risk of financial losses in the event of insurance claims.</i> | All businesses have traditional insurance policies, including crime, property, business interruption, transport, general liability, product liability and environmental liability. Insurance for Beckers, Colart and Alex Begg is managed by the Group companies themselves. Insurance for the Parent Company and other subsidiaries is managed by Lindéngruppen AB. Höganäs handles its own insurance. Risk analyses and continuity plans are kept up to date. |
| Business risks | Purchasing risk <i>Delivery, quality, and price risks related to key raw materials.</i> | As a rule, there must be at least two suppliers for each main raw material. Suppliers are continuously evaluated for a variety of parameters in order to anticipate potential problems. |
| | <i>Beckers is significantly affected by commodity price developments. Commodity prices are to some extent correlated with oil price development.</i> <i>Höganäs' purchasing is normally conducted through call-off contracts specifying that the price will be based on the current market price with a pre-defined time lag. Correspondingly, the sales agreements specify that the price of metal powder includes a certain proportion of raw material, the price of which will be based on the current market price with a pre-defined time lag. This means that the price risk arises when the price of the purchase is determined.</i> | Beckers has a global purchasing organisation that monitors commodity price development and forecasts future price trends. The risk is managed primarily by renegotiating sales prices. Commodity risks can be mitigated by hedging the equivalent value of current exposure at any given time with derivative instruments, primarily futures. As a result of uncertainty in forecasts and high costs, derivative instruments were only used for nickel, copper and molybdenum in 2021. |

TCFD reporting

This is Lindéngruppen's first report inspired by the Task Force on Climate-related Financial Disclosures (TCFD). Over time, the report will be developed to enable more comprehensive analyses of the financial impacts of climate change on Lindéngruppen.

To increase transparency and disclosures on how climate-related risks and opportunities could affect Lindéngruppen financially in the long term, we have initiated an analysis of the different companies' operations based on the TCFD recommendations.

As the companies' operations differ, this presents a challenge when analysing the Group's overall climate-related risks and opportunities. In line with the TCFD recommendations, the companies have conducted their first analyses of the operations based on two possible future climate scenarios: "We achieve the Paris Agreement" and "Business as usual".

<https://www.smhi.se/en/climate/future-climate/future-climate>

<https://www.tcfddhub.org/scenario-analysis/>

References to disclosures requested by TCFD

Governance

The Board's oversight of climate-related risks and opportunities. **Page 39**

Management's role in assessing and managing climate-related risks and opportunities. **Page 39**

Strategy

Climate-related risks and opportunities the organisation has identified. **Pages 29–30, 40–44**

The impact of climate-related risks and opportunities on the businesses, strategy and financial planning. **Pages 29–30, 40–44**

The resilience of the strategy, taking into consideration different climate-related scenarios. **Pages 29–30, 40–44**

Risk management

The processes for identifying and assessing climate-related risks. **Pages 35–36, 29–30, 40–44**

The processes for managing climate-related risks. **Pages 35–36, 29–30, 40–44**

How the above processes are integrated into overall risk management. **Pages 35–36, 29–30, 40–44**

Metrics and targets

The metrics used to assess climate-related risks and opportunities. **Pages 29–30, 40–44**

Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions. **Page 57**

The targets used to manage climate-related risks and opportunities. **Pages 15, 29–30**

We achieve the Paris Agreement

A scenario where we have managed to limit temperature increase to 1.5–2°C (RCP 2.6).

- Greenhouse gas emissions are halved by 2050
- 1.5–2.0°C temperature increase
- Renewable energy technologies are dominant
- Low energy intensity
- Major transformations of society, infrastructure and buildings have taken place
- Global joint initiatives have succeeded
- Political decisions, regulations and taxes have been introduced for greenhouse gases
- Increased regulations for producing companies and monitoring of products
- Changed demands from customers and investors

Conclusion

Lindéngruppen is well placed to contribute and operate in a market where we succeed in limiting temperature rise. Customers' ambitious climate targets will increase demand for the products we are working to develop through planned investments in new technologies and equipment. By accelerating the transition to a climate-positive economy, we make ourselves more attractive to current and future employees. Increased requirements for zero emissions in the value chain will also enable the transition to a sustainable product offering.

CLIMATE-RELATED RISKS

- Failed investments in new technology designed to accelerate the transformation
- Electrification is hampered by a lack of green electricity, or insufficient electricity
- Prohibition of certain raw materials, chemicals and pigments
- Heavy reliance on bio-based process materials that are not perceived as sustainable (third-party certification requirements)
- Heavy reliance on fossil-based processes and/or raw materials
- Bio-based materials that do not work due to technical limitations or lack of availability
- Products that cannot be replicated with more climate-friendly materials (recycled materials or materials with a low climate impact)
- Political and other decisions lead to price increases for raw materials, transport and energy

CLIMATE-RELATED OPPORTUNITIES

- Changing customer requirements and increased demands for sustainability make us more attractive as a business partner
- A stronger brand, the opportunity to assume the role of sustainability leader in our market
- Increased demand for innovative products and solutions, opportunities for collaborations along the value chain (e.g. reuse of painted materials)
- Greater demand for products and packaging with a low climate impact
- Solar energy production and increased use of renewable energy
- Use of biogas and other biofuels
- Increased demand for innovation and new technology
- Reduced energy needs due to more efficient use of resources
- Increased use of natural materials
- Increased use of recycled materials and residual waste

FINANCIAL CONSEQUENCES

COSTS

- Increased investment in the transition to a climate-neutral economy (VOCs, renewable energy etc.)
- Increased costs of climate adaptation (equipment and raw materials)
- Increased volatility in commodity prices, particularly fossil-based raw materials

REVENUE

- Increased demand for climate-friendly solutions and products
- Increased demand for products based on natural materials
- New business models and innovations contribute new revenue

Business as usual

A scenario where we have not made the transition and greenhouse gas emissions continue to increase at the current rate (RCP 8.5).

- Greenhouse gas emissions continue to increase at the same rate as today
- 2–4°C temperature increase
- Rising sea levels
- Increased frequency of extreme weather
- Increased frequency of forest fires and floods
- Unchanged demands from customers and investors
- High energy intensity and continued high dependence on fossil-based energy
- Global initiatives and partnerships fail
- Increasing numbers of refugees

Conclusion

In a world that fails to limit temperature increases, Lindénggruppen's business will be affected by both the resulting climate change and the economic and political consequences. Climate change means that production and other activities will be exposed to more extreme weather and/or rising sea levels, and also, for example, changes to the pastureland that is essential for the sustainable supply of the raw material cashmere to a business like Alex Begg. Economic and political consequences are about political decisions and regulations becoming more draconian and unpredictable. Of course, we will also face the economic and social costs of major climate change that affect society as a whole.

CLIMATE-RELATED RISKS

- Increased competition from low-cost competitors who do not have sustainable products/services
- Negative effect on the supply chain, such as shutdowns (raw materials), disruptions due to extreme weather events and rising sea levels, followed by the impact on costs and availability
- Shortage of raw materials
- Deforestation in Mongolia
- Major investments and increased responsibility in ensuring employees' safety, ability to get to work and general health
- Need for changes in and around factories to manage the consequences of extreme weather conditions (rising sea levels, hazardous materials, pollution etc.) and to maintain good relationships with local communities
- Electricity and energy shortages, driven by increased electrification and energy needs

CLIMATE-RELATED OPPORTUNITIES

- Competitors fail to manage climate change, and become potential takeover candidates
- Competitors fail and/or offer acquisition opportunities
- Climate-friendly products make us a more attractive business partner
- The requirement to adapt to changing climatic conditions increases the need for specific products (e.g. coatings/products that help with heat protection – reflecting sunlight, water harvesting or desalination)
- Greater demand for products with a low climate impact

FINANCIAL CONSEQUENCES

COSTS

- Being forced to exit certain markets and phase out of certain types of products
- Reduced demand for seasonal products due to global warming
- Dramatically increased costs for climate adaptation (facilities, products and services)
- Volatile or increased energy costs
- Increased prices of raw materials
- Increased operating expenses
- Dramatically increased insurance costs

REVENUE

- Increased demand and value for climate-friendly products

Methodology applied to measure and value impact

As a first step to start measuring our broader value creation to society we identified, prioritised and selected six key externalities where we as a Group have a major impact on society. Over time these externalities may change, or others be added depending on their materiality.

The impact we have on the environment and society is analysed using the approach described in the Natural Capital Protocol released in 2016 (<http://naturalcapitalcoalition.org/protocol/>) and the WBCSD's Measuring Impact work-program: (https://docs.wbcsd.org/2016/08/WBCSD_Building_SCP_Employment_Skills_Safety_2016.pdf).

The benefit of using this methodology is that it moves further than traditional inputs and outputs: it provides insights in the value we create.

In order to calculate the monetised impact of the selected externalities, science-based valuation factors were used. These are presented below. Each valuation factor is country specific and adjusted to 2021 SEK level through inflation. For some indicators, PPP (purchasing power parity) is used to adjust to the price levels of different countries.

| TRADITIONAL REPORTING | | IMPACT MEASUREMENT AND VALUATION | | |
|---|---|--|---|---|
| Input | Output | Outcome | Impact | Value of impact |
| What resources have been used of business activities? | What activities have been undertaken and what are the outputs of those? | What has changed as a result of the business activities? | How has it affected the well-being of people? | How do people value the change of their lives and well-being due to the impact? |

The current valuation factors are based on the most up-to-date research on externality impact. As new insights come to light or more representative factors become available, we will incorporate those within our value creation methodology.

CARBON EMISSIONS

The use of (fossil) fuels for energy purposes can lead to an increasing concentration of CO₂ in the atmosphere resulting in an increase in global warming which leads to damages to the environment, crop losses and natural disasters. Calculated by:

| VOLUMES | X | PRICE | = | VALUE OF IMPACT |
|--|---|---|---|---|
| Carbon dioxide emissions according to scope 1 and 2 (tonnes) | X | Social cost of carbon dioxide (150 EUR/tonne in 2021) | = | Monetised impact of carbon emissions on society |

SCOPE ASSUMPTIONS AND LIMITATIONS

Scope 1: Emissions from own fossil fuel usage and
scope 2: Emissions from energy purchased for the business

Monetisation through the social cost of carbon (SCC), which reflects the costs or benefits generated by greenhouse gas (GHG) emissions.

- Damages are estimated using Integrated Assessment Models (IAM) like DICE, PAGE, and FUND
- EPA SCC estimates used consider changes in: Net agricultural productivity,
- Human health, Property damages from increased flood risk, Value of ecosystem services due to climate change.

Source: Technical Support Document: Social Cost of Carbon, Methane, (whitehouse.gov)

WASTE

Waste (hazardous and non-hazardous) is generated during operations. The disposal of this waste can lead to a range of environmental outcomes that adversely affect human wellbeing, thereby carrying a societal cost. Calculated by:

| VOLUMES | X | PRICE | = | VALUE OF IMPACT |
|---|---|---|---|------------------------------------|
| (Non)-hazardous waste to landfill, recycled/recovered/reused, incinerated | X | Societal cost of waste per type of waste and treatment type | = | Monetised societal impact of waste |

SCOPE ASSUMPTIONS AND LIMITATIONS

Direct waste produced in the Group

Social cost of waste varies according to the type of waste and treatment type. Costs will be based on a study done in Australia (2014), and adjusted based on global datasets (e.g. GDP). The calculations take into account:

- workplace injuries and illnesses costs from treating the waste
- government and regulatory costs related to regulation of waste
- environmental costs (climate change, leaching and other air emission costs)
- disamenity costs related to decreasing house prices from landfilling

Source: Marsden Jacob Associates, SRU (2014), Estimate of the cost of hazardous waste in Australia

TAXES AND SUBSIDIES

Through the taxes we pay, we create economic value for the government and society. Calculated by:

| VOLUMES | X | PRICE | = | VALUE OF IMPACT |
|--------------------------------|---|---|---|--|
| Taxes paid, subsidies received | X | Included as actuals (multiplier is one) | = | Monetised societal impact of taxes and subsidies |

SCOPE ASSUMPTIONS AND LIMITATIONS

Direct spend

The economic impact is measured through taking the actual taxes paid and subsidies received from the financial statements.

OCCUPATIONAL HEALTH AND SAFETY

Occupational incidents and illnesses resulting from working conditions can directly impact our productivity and reputation, but can foremost affect the employees and their families through healthcare costs, lower income and quality of life. Calculated by:

| VOLUMES | X | PRICE | = | VALUE OF IMPACT |
|---|---|---|---|--|
| Number and type of occupational incidents (injuries and diseases) | X | Employees and community cost per incident | = | Monetised societal impact of health and safety incidents |

| SCOPE | ASSUMPTIONS AND LIMITATIONS |
|---|---|
| Work-related incidents and illnesses of own employees | <p>Employer's costs are already included in the financial results, so the societal cost of occupational injuries and illnesses is calculated using the average cost per incident for employees and the community.</p> <ul style="list-style-type: none"> - The multipliers are based on a meta study conducted in Australia, which, based on desktop research, is the best available to date. - To make the costs country specific, the numbers are adjusted through GDP per capita (Worldbank data). <p>Source: Safe Work Australia (2015). The cost of work-related injury and illness for Australian employers, workers and the community: 2012-2013</p> |

GENDER EQUALITY

Although research in this field is still limited, this model works with the assumption that the impact of salaries and pay is reduced when the balance is not between 40-60 per cent. Calculated by:

| VOLUMES | X | PRICE | = | VALUE OF IMPACT |
|------------------|---|---|---|--|
| Salaries and pay | X | Correction factor based on per cent diversity | = | Monetised societal impact of diversity and inclusion |

| SCOPE | ASSUMPTIONS AND LIMITATIONS |
|---------------|--|
| Own employees | <p>Studies show that teams managed by a balanced mix of men and women were more successful across a wide range of outcomes. Sodexo's study of 50,000 managers from 100 entities worldwide between 2011-2014 confirmed a mix between 40 per cent and 60 per cent is necessary for optimal performance.</p> <ul style="list-style-type: none"> - A direct correlation exists between the per cent of women in the total workforce and those in management (and vice versa) indicating that gender-balanced workforces and leadership create an environment supportive of career growth for women. - The multipliers are based on the optimal level of diversity (40 per cent to 60 per cent) times employee benefits for monetisation of the impact of diversity and inclusion. The maximum penalty is 5 per cent at a 0 per cent or 100 per cent diversity level. <p>The approach is explorative since there is no global approach yet.</p> |

SALARIES AND PAY

We create value for our employees amongst others by paying salaries and other benefits, which can be used to improve their wellbeing. Calculated by:

| VOLUMES | X | PRICE | = | VALUE OF IMPACT |
|--|---|--------------------------------------|---|------------------------------------|
| Employee benefits paid above living wage | X | Health utility of income per country | = | Monetised societal impact of wages |

| SCOPE | ASSUMPTIONS AND LIMITATIONS |
|--------------|---|
| Direct spend | <p>The economic impact of salaries and benefits is calculated by taking the average wage per employee in each country in which Lindéngruppen's companies operate. From this average number, the living wage in that country is adjusted, to determine how much more or less Lindéngruppen is paying employees.</p> <ul style="list-style-type: none"> - This delta is multiplied by the marginal Health Utility of Income, which basically indicates how much health improvement an individual can obtain from its wage. - This number is multiplied with the total number of employees in each country. <p>Source: Measuring and valuing the Social Impact Of Wages –The Living Wages Global Dataset And The Health Utility Of Income –S. Vionnet and S. Haut 2018</p> |

05

Sustainability performance



2021 Sustainability performance

Sustainability performance is measured and followed up quarterly both at business and Group level. This helps us ensure that we make progress towards our purpose and 2030 targets, realise opportunities and manage risks.

On an annual basis since 2016, and quarterly since 2019, our Group companies have been required to collate and report on sustainability data including energy, renewables, injuries, sick leave, and gender. This is an important way to further integrate sustainability priorities into each.

We have quarterly discussions with our companies on their progress – not only including quantitative data, but also qualitative descriptions.

Our Group companies also report annually on the Lindéngruppen Sustainability Framework which is designed to help our Group companies to further integrate sustainability into its strategy, operations, and product development. The framework covers all areas that are defined by Lindéngruppen as part of a sustainable business model, and presents four alternative maturity levels and actions required within each. It shows performance, measures progress and encourages the highest standards throughout the Group.

The framework is used by the Group companies to build awareness about the impact our companies have on society and what we expect them to do to mitigate negative impact. The framework is a self-assessment tool

and it covers areas such as governance, environmental performance, human rights and social responsibility, ethical behaviour and supply chain, product stewardship and customer offerings.

Each management team sets the priorities that are most relevant to their business, and regularly reports progress to their Board of Directors using it as a basis for discussion. Based on these reports, each Group company Board of Directors sets or adjusts their own strategies. Lindéngruppen's Board of Directors reviews the framework and the progress made by all the Group companies on an annual basis.

Progress

In 2021, we revised our sustainability reporting to include a much broader range of topics with the long-term ambition of achieving reporting of the same quality as our financial reporting.

We have also had in-depth meetings and discussions with our company CFOs and Sustainability Directors to broaden the scope, improve our reporting and add company specific leading KPIs.

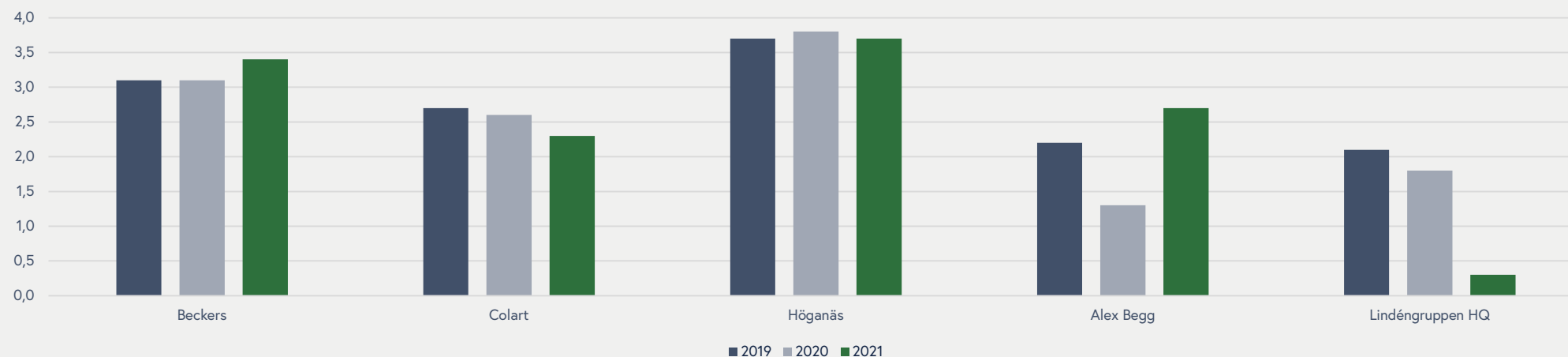
In 2021, we also made a thorough update of our Sustainability Framework, whereby we aligned it with the requirements of the B-corp framework.

Additional reporting was also introduced and carried out mid-2021 to enable the calculation of our societal impact in the new Value Creation Model. This was a learning experience and required substantial reporting on a more detailed level than what has previously been required.

This lays the foundation for a focus on quality and the refinement of our sustainability reporting during 2022.

People

SICK LEAVE (%), GRI 403



Beckers: Covid-19 had a negative effect on sick leave. Lost Time Injuries (LTI): An increasing trend during the year with ten incidents, of which seven from the site in France. A majority of the accidents are slip, trip and fall. Corrective actions have been taken including a behaviour-based safety programme. Total Recordable Injuries (TRI): Three cases have required medical treatments.

Colart: Sick leave and the number of accidents have decreased compared to previous years.

Höganäs: Höganäs has introduced a new definition for TRI, which explains the lower TRI frequency.

Alex Begg: In 2020, sick leave was especially low due to the pandemic. Three cases of long-term illness could explain the rise in sick leave in 2021. One reclassification from LTI to TRI was done during Q4. Two minor recordable injuries in Q4 2021.

Lindéngruppen: No long-term sick leave in 2021. Zero LTI and TRI were registered during the year.

High-consequence injuries and work-related ill health are new reporting items for 2021.

INJURIES AND ACCIDENTS, GRI 403

| | BECKERS | | | COLART | | | HÖGANÄS | | | ALEX BEGG | | |
|---|---------|------|------|--------|------|------|---------|------|------|-----------|------|------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Calculated LTI frequency/ million hours worked | 3,1 | 1,3 | 1,5 | 7,4 | 12,3 | 10,3 | 5,5 | 5,4 | 7,6 | 4,3 | 6,1 | 3,5 |
| Calculated TRI frequency/ million hours worked | 5,3 | 2,2 | 3 | 7,4 | 12,3 | 10,3 | 15,2 | 47,7 | 49,3 | 12,9 | 6,1 | 3,5 |
| Number of lost time injuries (LTI) | 10 | 4 | 5 | 15 | 17 | 15 | 22 | 21 | 34 | 1 | 1 | 1 |
| Number of fatalities as a result of work-related injuries | 0 | n/a | n/a | 0 | n/a | n/a | 0 | n/a | n/a | 0 | n/a | n/a |
| Number of high-consequence injuries | 0 | n/a | n/a | 0 | n/a | n/a | 0 | n/a | n/a | 0 | n/a | n/a |
| Number of recordable injuries (TRI) | 17 | 7 | 10 | 15 | 17 | 15 | 61 | 185 | 221 | 3 | 1 | 1 |
| Number of fatalities as a result of work-related ill health | 0 | n/a | n/a | 0 | n/a | n/a | 0 | n/a | n/a | 0 | n/a | n/a |
| Number of recordable work-related ill health | 0 | n/a | n/a | 0 | n/a | n/a | 44 | n/a | n/a | 0 | n/a | n/a |

TRAINING HOURS, GRI 404-1

| | BECKERS | COLART | HÖGANÄS | ALEX BEGG |
|---|---------|--------|---------|-----------|
| | 2021 | 2021 | 2021 | 2021 |
| Average number of training hours per employee | 14 | 12 | 15 | 10 |

HUMAN RIGHTS AND ANTI-CORRUPTION TRAINING, GRI 412-2 AND GRI 205-2

| | BECKERS | | COLART | | HÖGANÄS | | ALEX BEGG | |
|---|---------|------|--------|------|---------|------|-----------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Share of employees trained in human rights policies or procedures | 36% | 18% | 100% | 86% | 44% | 59% | 0% | 0% |
| Share of employees trained in anti-corruption policies or procedures | 36% | 22% | 100% | 67% | 20% | 8% | 43% | 61% |
| Share of governance body members trained in human rights and anti-corruption policies or procedures | 100% | n/a | 42% | n/a | n/a | n/a | 33% | n/a |

Beckers: Significant increase in the share of employees trained in human rights policies or procedures due to CoC refreshment trainings for all managers. This positive trend is to continue in the coming years.

Alex Begg: The focus during the past year has been on children's rights.

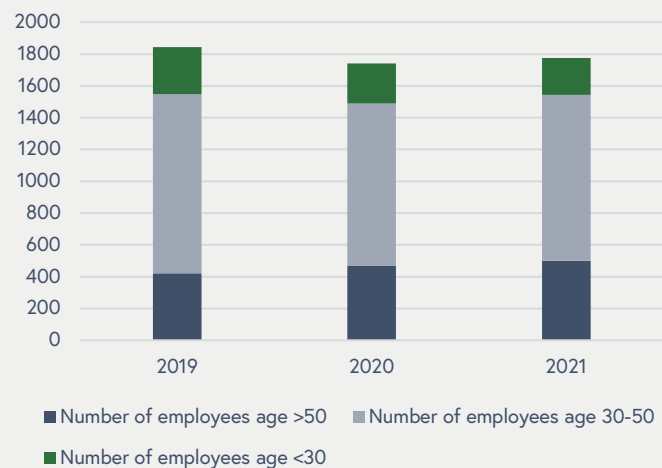
GENDER DIVISION, GRI 405-1

| | EMPLOYEES TOTAL | | TIER 0-2 | | BOARD | | MANAGEMENT TEAM | |
|------------------|-----------------|-----|----------|-----|-------|-----|-----------------|-----|
| | WOMEN | MEN | WOMEN | MEN | WOMEN | MEN | WOMEN | MEN |
| Beckers | 26% | 74% | 21% | 79% | 50% | 50% | 17% | 83% |
| Colart | 50% | 50% | 28% | 72% | 33% | 67% | 25% | 75% |
| Höganäs | 17% | 83% | 18% | 82% | 18% | 82% | 9% | 91% |
| Alex Begg | 62% | 38% | 38% | 62% | 33% | 67% | 33% | 67% |
| Lindéngruppen HQ | 54% | 46% | 50% | 50% | 33% | 67% | 25% | 75% |

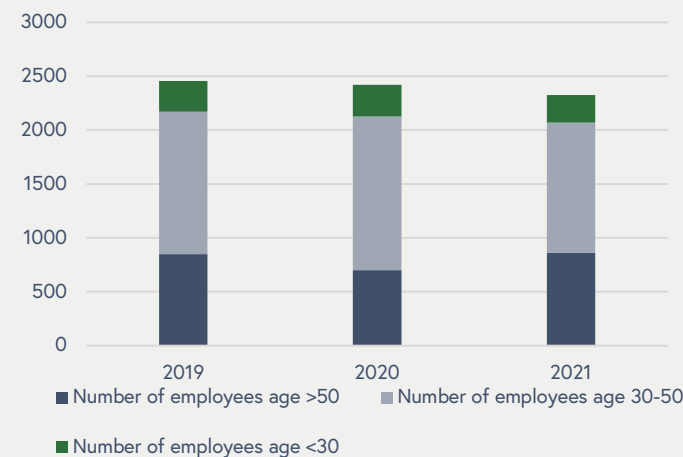
COLLECTIVE BARGAINING AGREEMENT, GRI 102-4

| | BECKERS | | COLART | | HÖGANÄS | | ALEX BEGG | | LINDÉNGRUPPEN HQ | |
|---|---------|------|--------|------|---------|------|-----------|------|------------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Percentage of employees covered by collective bargaining agreements | 58% | 53% | 65% | 70% | 85% | 81% | 11% | 17% | 100% | 100% |

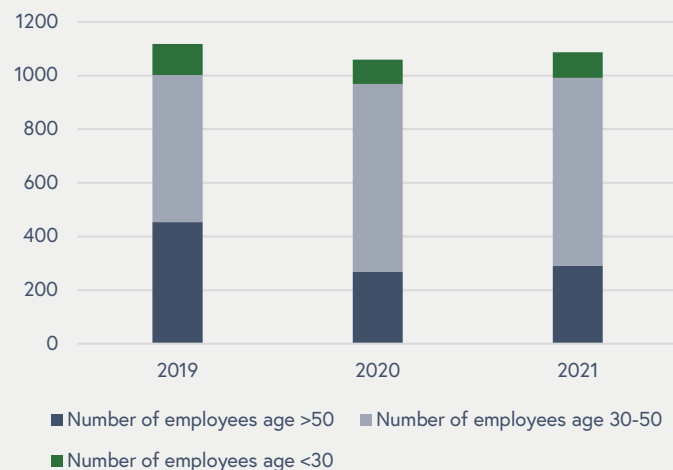
AGE SPLIT, GRI 405-1 - BECKERS



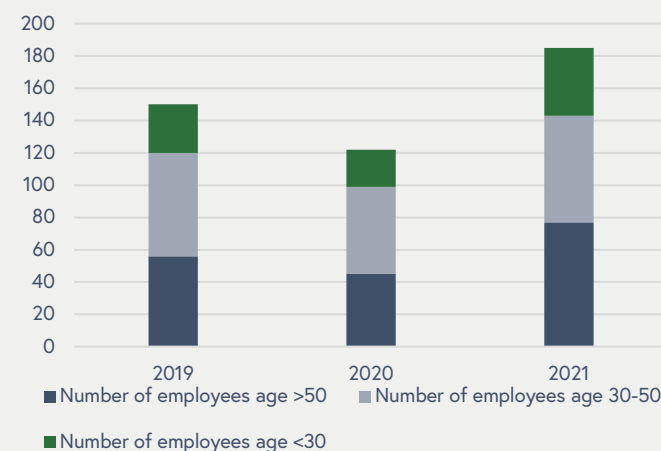
AGE SPLIT, GRI 405-1 - HÖGANÄS



AGE SPLIT, GRI 405-1 - COLART



AGE SPLIT, GRI 405-1 - ALEX BEGG



Note: Total number of employees = Headcount per year-end. Employment contract and full-time vs. Part-time is not followed up on Group level. In general employees are employed permanently and full-time. Part-time is usually voluntary and connected to parental leave.

Alex Begg: The large increase in number of employees is due to the acquisition of a new business in Scotland.

Planet

ENERGY USE 2021, DISTRIBUTION BETWEEN COMPANIES, GWh

Beckers
66 GWh

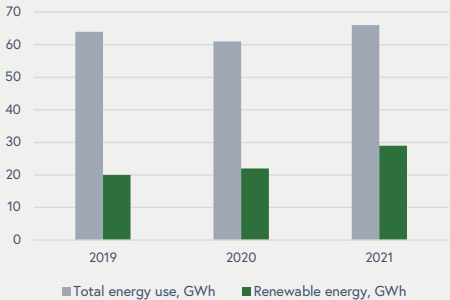
Colart
10 GWh

Höganäs
924 GWh

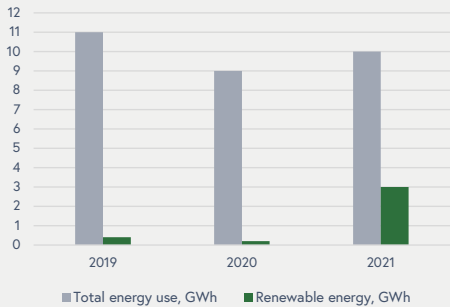
Alex Begg
3 GWh



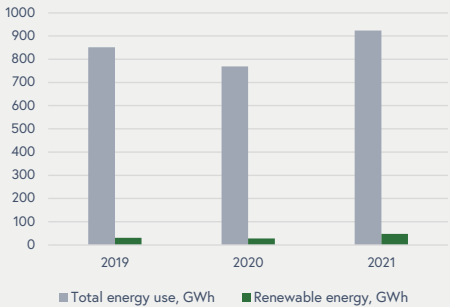
TOTAL ENERGY USE, GRI 302-1 - BECKERS



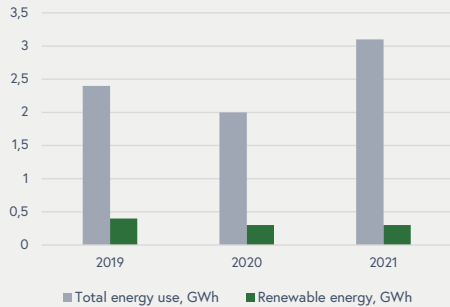
TOTAL ENERGY USE, GRI 302-1 - COLART



TOTAL ENERGY USE, GRI 302-1 - HÖGANÄS



TOTAL ENERGY USE, GRI 302-1 - ALEX BEGG



Beckers

The increase in total energy use corresponds to the overall increase in production volume in 2021. Continued positive trend shown in energy use from renewable sources.

Colart

Increase in energy use due to higher production volumes. Continued transition to renewable electricity. Four of six sites are now fully supplied with renewable electricity.

Höganäs

Uneven and higher production as well as more energy demanding raw materials caused higher energy use. The increase in fossil-free energy is explained by the switch to fossil-free electricity on several sites.

Alex Begg

Increased energy use due to higher production. Hawick uses 100 per cent renewable electricity and Ayr 15 per cent. Hawick was acquired 2020 and its energy use is included 2021. Decrease in relative usage of renewable energy due to higher production in Ayr compared to previous year (when production was partly closed during the year because of the pandemic).

ENERGY USAGE BREAKDOWN, GRI 302-1

| | DESTINATION | BECKERS | COLART | HÖGANÄS | ALEX BEGG |
|------------------------------|--|---------------|--------------|----------------|--------------|
| Non-renewable fuels, MWh | Purchased electricity, heat, cool or steam | 16 762 | 2 351 | 446 824 | 799 |
| | Self-generated electricity | 0 | 0 | 0 | 0 |
| | Energy use from non-renewable fuels | 19 892 | 4 536 | 495 179 | 2 015 |
| | Sold self-generated energy | 0 | 0 | 66 060 | 0 |
| | <i>Total non-renewable energy use</i> | <i>36 654</i> | <i>6 887</i> | <i>875 943</i> | <i>2 814</i> |
| Renewable fuels, MWh | Purchased electricity, heat, cool or steam | 28 791 | 2 747 | 46 608 | 338 |
| | Self-generated electricity | 120 | 71 | 594 | 0 |
| | Energy use from renewable fuels | 13 | 0 | 731 | 0 |
| | Sold self-generated energy | 15 | 0 | 0 | 4 |
| | <i>Total renewable energy use</i> | <i>28 908</i> | <i>2 818</i> | <i>47 933</i> | <i>334</i> |
| Total energy use, MWh | | 65 562 | 9 705 | 923 876 | 3 148 |

AIR POLLUTION, GRI 305-7

| | BECKERS | COLART | HÖGANÄS | ALEX BEGG |
|---|---------|--------|---------|-----------|
| | 2021 | 2021 | 2021 | 2021 |
| Air pollution: Nox, kg | 44 934 | n/a | 119 825 | 979 |
| Air Pollution: Sox, kg | 41 257 | n/a | 28 371 | 4 |
| Air Pollution: Particulate matter (PM10), kg | 5 088 | n/a | 39 396 | 15 |
| Air Pollution: Volatile organic compounds (VOC), kg | 469 270 | n/a | 9 559 | 19 |

GREENHOUSE GAS EMISSIONS, GRI 305

| | BECKERS | | | COLART | | | HÖGANÄS | | | ALEX BEGG | | |
|---|---------|--------|--------|--------|-------|-------|---------|---------|---------|-----------|------|------|
| TONNES | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Direct gross GHG emissions (Scope 1) | 9 546 | 9 860 | 10 646 | 1 027 | 822 | 1 238 | 289 874 | 231 359 | 246 009 | 369 | 219 | 262 |
| Indirect gross GHG emissions (location-based) (scope 2) | 13 652 | 13 516 | 13 926 | 1 953 | 1 660 | 2 781 | 90 035 | 92 482 | 112 666 | 241 | 224 | 282 |
| Total GHG emissions (scope 1 and 2) | 23 198 | 23 376 | 24 572 | 2 980 | 2 482 | 4 019 | 379 908 | 323 841 | 358 675 | 610 | 443 | 544 |
| Gross other indirect GHG emissions (Scope 3) | 29 457 | 26 790 | 28 152 | 6 476 | 3 128 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| GHG emissions intensity ratio per MWh | 0,4 | 0,4 | 0,4 | 0,3 | 0,3 | 0,4 | 0,4 | 0,4 | 0,4 | 0,2 | 0,2 | 0,2 |
| GHG emissions reduced as a direct result of reduction initiatives | 2 911 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 72 | n/a | n/a |

Höganäs: Carbon dioxide emissions from fuels and raw materials have increased due to higher production volumes and more energy-intensive raw materials, give a higher consumption of especially natural gas, which is the fuel source that has the highest carbon footprint in the organisation. In 2021, the part of fossil free electricity more than doubled compared to previous year.

As part of the preparations for joining the Science Based Targets initiative, Höganäs has recalculated its greenhouse gas emissions for the years 2018–2020 with the purpose of ensuring comparability. This explains the new emission levels. This has also led to some adjustments in the reporting of energy use and waste volume.

Alex Begg: 2021 includes the newly acquired site in Hawick, Scotland.

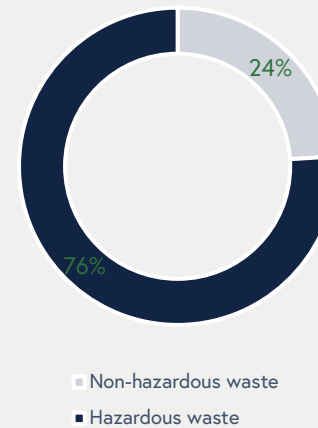
Beckers: Between 2013 and 2020 Beckers decreased volatile organic compounds (VOC) emissions with 40 per cent. During 2021, a small decrease can be seen. However, it was to some extent balanced out by higher production. The trend in decreased VOCs can be related activities such as low-solvent cleaning systems, solvent recirculation, and on-site distillation.

WASTE AND SIDE STREAMS, GRI 306-2

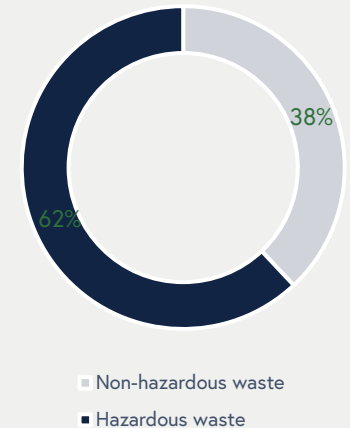
| DESTINATION | | BECKERS | | COLART | | HÖGANÄS | | ALEX BEGG | |
|---------------------|---|--------------|-------------|--------------|-------------|---------------|---------------|-------------|-----------|
| TONNES | | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Hazardous waste | Waste to landfill | 29 | 38 | 0 | 0 | 511 | 503 | 0 | 0 |
| | Waste or side streams sent to recycling, recovery or reuse | 3 070 | 2 616 | 0 | 0 | 7 559 | 10 874 | 0,01 | 0 |
| | Waste or side streams sent to incineration | 3 259 | 3 216 | 900 | 700 | 27 | 52 | 0 | 0 |
| | Total hazardous waste | 6 358 | 5870 | 900 | 700 | 8 097 | 11 429 | 0,01 | 0 |
| Non-hazardous waste | Waste to landfill | 156 | 263 | 122 | 181 | 35 527 | 28 544 | 0 | 0 |
| | Waste or side streams sent to recycling, recovery or reuse | 1 456 | 1 737 | 435 | 393 | 36 155 | 32 147 | 41 | 34 |
| | Waste or side streams sent to incineration | 404 | 243 | 0 | 0 | 933 | 938 | 16 | 21 |
| | Total non-hazardous waste | 2 017 | 2244 | 557 | 574 | 72 615 | 61 629 | 56 | 55 |
| Total | Waste to landfill | 185 | 301 | 122 | 181 | 36 038 | 29 048 | 0 | 0 |
| | Waste or side streams sent to recycling, recovery or reuse | 4 526 | 4 353 | 435 | 393 | 43 714 | 43 021 | 41 | 34 |
| | Waste or side streams sent to incineration | 3 663 | 3 459 | 900 | 700 | 960 | 989 | 16 | 21 |
| | Total waste | 8 375 | 8114 | 1 457 | 1274 | 80 712 | 73 058 | 56 | 55 |
| Total | Percentage waste to landfill of total waste | 2% | 4% | 8% | 14% | 45% | 40% | 0% | 0% |
| | Percentage waste or side streams sent to recycling, recovery or reuse | 54% | 54% | 30% | 31% | 54% | 59% | 72% | 62% |
| | Percentage waste or side streams sent to incineration | 44% | 42% | 62% | 55% | 1% | 1% | 28% | 38% |

Höganäs: Increased amount of waste is explained by increased production volumes. Successful work with refining residual waste has enabled a significant increase in waste and side streams that are sent to recycling or reused.

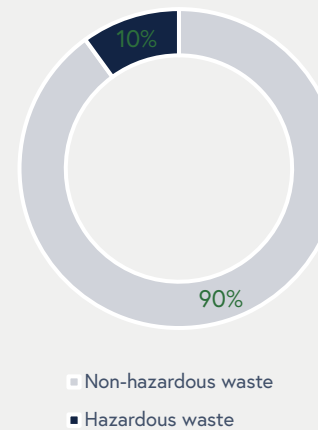
WASTE GRI, 306-2 - BECKERS



WASTE, GRI 306-2 - COLART



WASTE, GRI 306-2 - HÖGANÄS



WASTE, GRI 306-2 - ALEX BEGG



TOTAL WATER CONSUMPTION, WITHDRAWAL AND DISCHARGE, GRI 303 AND WEF-16

| | BECKERS | COLART | HÖGANÄS | ALEX BEGG |
|---|---------|--------|-----------|-----------|
| m3 | 2021 | 2021 | 2021 | 2021 |
| Total water consumption | n/a | 14 933 | 626 000 | 741 |
| Total water consumption in water stressed areas | n/a | 9 371 | 83 298 | 0 |
| Total water withdrawal | 116 897 | 62 213 | 8 216 000 | 14 801 |
| Total water withdrawal in water stressed areas | 16 683 | 33 571 | 83 298 | 0 |
| Total water discharge | 116 897 | 47 280 | 7 590 000 | 14 060 |
| Total water discharge in water stressed areas | 16 683 | 24 200 | n/a | 0 |
| Percentage of water consumption in regions with high or extremely high baseline water stress, according to WRI Aqueduct water risk atlas tool | 14% | 63% | 2% | 0% |
| Percentage of water withdrawal in regions with high or extremely high baseline water stress, according to WRI Aqueduct water risk atlas tool | 14% | 54% | 13% | 0% |

Note: Ongoing work to map water consumption in the Group and ensure high-quality reporting as well as analyse water consumption in regions with high baseline water stress.

BIODIVERSITY, GRI 304-1

| | BECKERS | COLART | HÖGANÄS | ALEX BEGG |
|--|---------|--------|---------|-----------|
| | 2021 | 2021 | 2021 | 2021 |
| Number of sites owned, leased or managed in or adjacent to protected areas and/or areas of high biodiversity value | 0 | 0 | n/a | 0 |
| Area of sites owned, leased or managed in or adjacent to protected areas and/or areas of high biodiversity value | 0 | 0 | n/a | 0 |

Note: The Group has no facilities located in, or near, areas of high biodiversity value. Further analysis will be done in 2022 with KBA Data (keybiodiversityareas.org) as a reference.

Profit and Prosperity

VALUE CREATION MEASURES, GRI 201-1

| LINDÉNGRUPPEN | | | |
|----------------------------|-------|-------|-------|
| SEK million | 2021 | 2020 | 2019 |
| Revenues | 8 349 | 7 622 | 8 741 |
| Economic value distributed | | | |
| Operating costs | 5 942 | 5 332 | 6 147 |
| Salaries and benefits | 1 420 | 1 403 | 1 795 |
| Cost of capital | 92 | 59 | 54 |
| Taxes and subsidies | 476 | 417 | 409 |
| Community investments | 11 | 14 | 16 |
| Total | 7 941 | 7 225 | 8 421 |
| Economic value retained | 408 | 397 | 320 |

This table includes Lindéngruppen's wholly owned businesses. As Höganäs is partly-owned, it is not included. Community investments only refer to Lindéngruppen AB.

INNOVATION, WEF-47

| | BECKERS | COLART | HÖGANÄS | ALEX BEGG |
|--|---------|--------|---------|-----------|
| | 2021 | 2021 | 2021 | 2021 |
| Total costs related to research and development, SEK million | 214 | 4,9 | 233 | 11 |

INCIDENTS, ANTI-CORRUPTION AND DISCRIMINATION, GRI 102-17

| | BECKERS | | | COLART | | | HÖGANÄS | | | ALEX BEGG | | | LINDÉNGRUPPEN HQ | | |
|------------------------------------|---------|------|------|--------|------|------|---------|------|------|-----------|------|------|------------------|------|------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Total number of reported new cases | 14 | 11 | 9 | 7 | 5 | 11 | 3 | 5 | 7 | 2 | 0 | 0 | 0 | 0 | 0 |

Note: There have been no monetary losses resulted from legal proceedings associated with law violations or employment discrimination.

Sustainability reporting index

Standard disclosures

| GRI Universal Standards 2021 | | | | | | Omission | |
|--|-------------------|---|---|----------------|--|---------------|--|
| GRI Standard Title | Disclosure Number | Disclosure Name | WEF Disclosures | Page reference | Requirements omitted | Reason | Explanation |
| GENERAL DISCLOSURES - GRI 2 2021 | | | | | | | |
| The organisation and its reporting practices | | | | | | | |
| | 2-1 | Organisational details | | 4-7, 34 | | | |
| | 2-2 | Entities included in the organisation's sustainability reporting | | 34 | | | |
| | 2-3 | Reporting period, frequency and contact point | | 34, 52 | | | |
| | 2-4 | Restatements of information | | 34 | | | |
| | 2-5 | External assurance | | 122 | | | |
| Activities and workers | | | | | | | |
| | 2-6 | Activities, value chain, and other business relationships | | 4-22 | | | |
| | 2-7 | Employees | | 55, 34, 85 | | | |
| | 2-8 | Workers who are not employees | | | Lindéngruppen does not report on workers who are not employees | Not essential | Contractors are covered by Lindéngruppen's work environment responsibility |
| Governance | | | | | | | |
| | 2-9 | Governance structure and composition | WEF-2 Governance body composition | 38-39 | | | |
| | 2-10 | Nomination and selection of the highest governance body | | 39 | | | |
| | 2-11 | Chair of the highest governance body | | 38 | | | |
| | 2-12 | Role of the highest governance body in overseeing the management of impacts | WEF-1 Setting purpose WEF-7 Purpose-led management | 39 | | | |
| | 2-13 | Delegation of responsibility for managing impacts | | 39 | | | |
| | 2-14 | Role of the highest governance body in sustainability reporting | | 39 | | | |
| | 2-15 | Conflicts of interest | | 39 | | | |
| | 2-16 | Communication of critical concerns | | 39 | | | |
| | 2-17 | Collective knowledge of the highest governance body | | 38 | | | |
| | 2-18 | Evaluation of the performance of the highest governance body | | 39 | | | |
| | 2-19 | Remuneration policies | | 39, 81 | | | |
| | 2-20 | Process to determine remuneration | | 39, 81 | | | |

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| GRI Universal Standards 2021 | | | | | | Omission | |
|----------------------------------|-------------------|--|--|------------------|--|----------|--|
| GRI Standard Title | Disclosure Number | Disclosure Name | WEF Disclosures | Page reference | Requirements omitted | Reason | Explanation |
| | 2-21 | Annual total compensation ratio | | 85-86 | Complete information from the Group companies is missing | | Regulated in the company's code of conduct |
| Strategy, policies and practices | | | | | | | |
| | 2-22 | Statement on sustainable development strategy | | 8-9 | | | |
| | 2-23 | Policy commitments | | 5, 26-27 | | | |
| | 2-24 | Embedding policy commitments | | 26-27 | | | |
| | 2-25 | Processes to remediate negative impacts | | 39 | | | |
| | 2-26 | Mechanisms for seeking advice and raising concerns | WEF-5 Protected ethics advice and reporting mechanism | 27 | | | |
| | 2-27 | Compliance with laws and regulations | | 27 | | | |
| | 2-28 | Membership associations | | 21 | | | |
| Stakeholder engagement | | | | | | | |
| | 2-29 | Approach to stakeholder engagement | WEF-3 Material issues impacting stakeholders | 35-37 | | | |
| | 2-30 | Collective bargaining agreements | | 16, 26, 54 | | | |
| MATERIAL TOPICS - GRI 3 2021 | | | | | | | |
| Material topics | | | | | | | |
| | 3-1 | Process to determine material topics | WEF-3 Material issues impacting stakeholders | 35-36 | | | |
| | 3-2 | List of material topics | WEF-3 Material issues impacting stakeholders | 36 | | | |
| | 3-3 | Management of material topics | WEF-6 Integrating risk and opportunity into business processes | 15-20, 35-36, 39 | | | |
| | WEF-8 | Progress against strategic milestones | | 51-59 | | | |

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Specific disclosures

| GRI Universal Standards 2021 | | | | | | Omission | |
|---|-------------------|--|---|-----------------------------|--|----------|--|
| GRI Standard Title | Disclosure Number | Disclosure Name | WEF Disclosures | Page reference | Requirements omitted | Reason | Explanation |
| SPECIFIC DISCLOSURES - GRI 200: Economic | | | | | | | |
| GRI 201: Economic performance 2016 | | | | | | | |
| | 201-1 | Direct economic value generated and distributed | WEF-45 Economic contribution WEF-48 Total tax paid WEF-54 Additional tax remitted WEF-55 Total tax paid by country for significant locations | 59, 13-15, 29, 48-50, 88-91 | | | |
| | 201-4 | Financial assistance received from government | WEF-45 Economic contribution | 84 | | | |
| | WEF-46 | Financial investment contribution | | 23-32 | | | |
| GRI 202: Market presence 2016 | | | | | | | |
| | 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | WEF-31 Wage level | | Complete information from the Group companies is missing | | Regulated in the company's code of conduct |
| GRI 203: Indirect economic impacts 2016 | | | | | | | |
| | 203-1 | Infrastructure investments and services supported | WEF-49 Infrastructure investments and services supported | 20-21 | | | |
| | 203-2 | Significant indirect economic impacts | WEF-50 Significant indirect economic impacts | 13-14 | | | |
| | WEF-53 | Total social investment | | 20-21 | | | |
| GRI 205: Anti-corruption 2016 | | | | | | | |
| | 205-2 | Communication and training about anti-corruption policies and procedures | WEF-4 Anti-corruption | 26-27, 42, 54 | | | |
| | 205-3 | Confirmed incidents of corruption and actions taken | WEF-4 Anti-corruption | 27 | | | |
| WEF- Innovation of better products and services | | | | | | | |
| | WEF-47 | Total R&D expenses | | 59 | | | |
| | WEF-51 | Social value generated | | 59, 13-14 | | | |

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| GRI Universal Standards 2021 | | | | | | Omission | |
|---|-------------------|---|--|----------------|----------------------|----------|-------------|
| GRI Standard Title | Disclosure Number | Disclosure Name | WEF Disclosures | Page reference | Requirements omitted | Reason | Explanation |
| SPECIFIC DISCLOSURES - 300: Environmental | | | | | | | |
| GRI 302: Energy 2016 | | | | | | | |
| | 302-1 | Energy consumption within the organisation | | 56,57 | | | |
| | 302-4 | Reduction of energy consumption | | 56 | | | |
| GRI 303: Water and Effluents 2018 | | | | | | | |
| | 303-3 | Water withdrawal | | 59 | | | |
| | 303-4 | Water discharge | | 59 | | | |
| | 303-5 | Water consumption | | 59 | | | |
| | WEF-16 | Water consumption and withdrawal in waterstressed areas | | 59 | | | |
| GRI 304: Biodiversity | | | | | | | |
| | 304-1 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | WEF-15 Land use and ecological sensitivity | 59 | | | |
| GRI 305: Emissions 2016 | | | | | | | |
| | 305-1 | Direct (Scope 1) GHG emissions | WEF-13 Greenhouse gas (GHG) emissions | 57 | | | |
| | 305-2 | Indirect (Scope 2) GHG emissions | WEF-13 Greenhouse gas (GHG) emissions | 57 | | | |
| | 305-3 | Other indirect (Scope 3) GHG emissions | WEF-13 Greenhouse gas (GHG) emissions | 57 | | | |
| | 305-4 | GHG emissions intensity | | 57 | | | |
| | 305-5 | Reduction of GHG emissions | | 57 | | | |
| | 305-7 | Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions | | 57 | | | |
| | WEF-14 | TCFD implementation | | 45-47 | | | |
| | WEF-17 | Paris-aligned GHG emissions targets | | 15 | | | |
| GRI 306: Waste 2020 | | | | | | | |
| | 306-1 | Waste generation and significant waste-related impacts | | 58 | | | |
| | 306-2 | Management of significant waste-related impacts | | 58 | | | |
| | 306-3 | Waste generated | | 58 | | | |
| | 306-4 | Waste diverted from disposal | | 58 | | | |
| | 306-5 | Waste directed to disposal | | 58 | | | |

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| GRI Universal Standards 2021 | | | | | | Omission | |
|--|-------------------|---|--|-------------------------|--|----------|--|
| GRI Standard Title | Disclosure Number | Disclosure Name | WEF Disclosures | Page reference | Requirements omitted | Reason | Explanation |
| SPECIFIC DISCLOSURES - 400: Social | | | | | | | |
| GRI 401: Employment 2016 | | | | 85 | | | |
| | 401-1 | New employee hires and employee turnover | | | | | |
| | WEF-39 | Living wage (%) | | | Complete information from the Group companies is missing | | Regulated in the company's code of conduct |
| GRI 403: Occupational Health and Safety 2018 | | | | | | | |
| | 403-1 | Occupational health and safety management system | | 16,41 | | | |
| | 403-2 | Hazard identification, risk assessment, and incident investigation | | 29, 40-44, 100, 107-112 | | | |
| | 403-3 | Occupational health services | | 16, 53 | | | |
| | 403-4 | Worker participation, consultation, and communication on occupational health and safety | | 16-17 | | | |
| | 403-5 | Worker training on occupational health and safety | | 16-17 | | | |
| | 403-6 | Promotion of worker health | WEF-33 Health and safety | 16 | | | |
| | 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | | 16-17 | | | |
| | 403-8 | Workers covered by an occupational health and safety management system | | 16-17 | | | |
| | 403-9 | Work-related injuries | WEF-33 Health and safety | 16 | | | |
| | WEF-40 | Monetised impacts of work-related incidents on organisation | | 53, 13-14 | | | |
| GRI 404: Training and education | | | | | | | |
| | 404-1 | Average hours of training per year per employee | WEF-34 Training provided | 54 | | | |
| | 404-3 | Percentage of employees receiving regular performance and career development reviews | | 16 | | | |
| | WEF-43 | Monetised impacts of training | | 54, 13-14 | | | |
| GRI 405: Diversity and equal opportunity 2016 | | | | | | | |
| | 405-1 | Diversity of governance bodies and employees | WEF-2 Governance body composition WEF-29 Diversity and inclusion | 54-55 | | | |
| GRI 406: Incidents and discrimination and corrective actions taken 2016 | | | | | | | |
| | 406-1 | Incidents of discrimination and corrective actions taken | WEF-36 Discrimination and harassment incidents and the total amount of monetary losses | 27, 59 | | | |

Sustainability reporting index

| GRI Universal Standards 2021 | | | | | | Omission | |
|---|-------------------|--|---|----------------|----------------------|----------|-------------|
| GRI Standard Title | Disclosure Number | Disclosure Name | WEF Disclosures | Page reference | Requirements omitted | Reason | Explanation |
| GRI 407: Freedom of association and collective bargaining 2016 | | | | | | | |
| | 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | WEF-37 Freedom of association and collective bargaining at risk | 26, 29, 54 | | | |
| GRI 408: Child Labour 2016 | | | | | | | |
| | 408-1 | Operations and suppliers at significant risk for incidents of child labour | WEF-32 Risk for incidents of child, forced or compulsory labour | 17, 26-27, 29 | | | |
| GRI 409: Forced and compulsory labour 2016 | | | | | | | |
| | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labour | WEF-32 Risk for incidents of child, forced or compulsory labour | 17, 26-27, 29 | | | |
| GRI 412: Human Rights Assessment 2016 | | | | | | | |
| | 412-1 | Operations that have been subject to human rights reviews or impact assessments | WEF-38 Human rights review, grievance impact and modern slavery | 17, 26-27, 29 | | | |
| | 412-2 | Employee training on human rights policies or procedures | | 54 | | | |
| GRI 415: Public Policy 2016 | | | | | | | |
| | 415-1 | Political contributions | WEF-10 Alignment of strategy and policies to lobbying | 16 | | | |
| GRI 419: Socioeconomic compliance 2018 | | | | | | | |
| | 419-1 | Non-compliance with laws and regulations in the social and economic area | | 27 | | | |
| | WEF-11 | Monetary losses from unethical behaviour | | 59 | | | |

06

Financial statements and notes



Financial statements

Unless otherwise stated,
all figures are in SEK million.

Consolidated income statement

| | Note | 2021 | 2020 |
|---|-------------|--------------|--------------|
| Net sales | 2 | 8 311 | 7 592 |
| Cost of sales | | -6 060 | -5 270 |
| Gross profit | | 2 251 | 2 322 |
| Other operating income | 3 | 90 | 164 |
| Selling costs | | -817 | -940 |
| Administrative expenses | | -896 | -944 |
| Research and development expenses | | -176 | -156 |
| Other operating expenses | 4 | -57 | -150 |
| Share of profit/loss of associates and joint ventures | 14 | 367 | 135 |
| Operating profit/loss | 5, 6, 7, 26 | 762 | 431 |
| Finance income | | 39 | 84 |
| Finance costs | | -68 | -79 |
| Net financial items | 8 | -29 | 5 |
| Profit before tax | | 733 | 436 |
| Tax | 10 | -118 | -90 |
| Profit for the year | | 615 | 346 |
| Profit for the year attributable to: | | | |
| Owners of the Parent | | 600 | 332 |
| Non-controlling interests | | 15 | 14 |
| | | 615 | 346 |

Consolidated statement of comprehensive income

| | Note | 2021 | 2020 |
|---|------|--------------|-------------|
| Profit for the year | | 615 | 346 |
| Other comprehensive income | | | |
| <i>Items that have been or may be reclassified to profit/loss</i> | | | |
| Translation differences, foreign operations | | 124 | -223 |
| Share of OCI of associates and joint ventures | 14 | 169 | -106 |
| | | 293 | -329 |
| <i>Items that may not be reclassified to profit/loss</i> | | | |
| Revaluations of defined-benefit pension plans | 25 | 138 | -91 |
| Tax attributable to items that may not be reclassified to profit/loss | 10 | -29 | 15 |
| Share of OCI of associates and joint ventures | 14 | 52 | -4 |
| | | 161 | -80 |
| Other comprehensive income | | 454 | -409 |
| Comprehensive income for the year | | 1 069 | -409 |
| Comprehensive income for the year attributable to: | | | |
| Owners of the Parent | | 1 045 | -61 |
| Non-controlling interests | | 24 | -2 |
| Comprehensive income for the year | | 1 069 | -63 |

Consolidated statement of financial position

| | Note | 31 December | |
|--|--------|---------------|---------------|
| | | 2021 | 2020 |
| Assets | 31, 32 | | |
| Intangible assets | 11 | 679 | 632 |
| Property, plant and equipment | 12 | 1 417 | 1 316 |
| Right-of-use assets | 30 | 320 | 281 |
| Investment property | 13 | 59 | 55 |
| Investments in associates and joint ventures | 14 | 4 317 | 3 729 |
| Financial investments | 16 | 34 | 48 |
| Non-current receivables | 18 | 28 | 28 |
| Deferred tax assets | 10 | 195 | 223 |
| Total non-current assets | | 7 049 | 6 312 |
| Inventories | 19 | 1 571 | 1 105 |
| Biological assets | | 1 | 1 |
| Tax receivables | | 93 | 33 |
| Trade receivables | 20 | 2 019 | 1 622 |
| Prepayments and accrued income | 21 | 103 | 72 |
| Other receivables | 18 | 190 | 211 |
| Cash and cash equivalents | 22 | 407 | 977 |
| Total current assets | | 4 384 | 4 021 |
| Total assets | | 11 433 | 10 333 |

| | Note | 31 December | |
|--|------|---------------|---------------|
| | | 2021 | 2020 |
| Equity | | | |
| Share capital | | 25 | 25 |
| Reserves | | 490 | 206 |
| Retained earnings including profit for the year | | 6 868 | 6 155 |
| Equity attributable to owners of the Parent | | 7 383 | 6 386 |
| Non-controlling interests | | 114 | 107 |
| Total equity | 23 | 7 497 | 6 493 |
| Liabilities | | | |
| Non-current interest-bearing liabilities | 24 | 394 | 738 |
| Non-current lease liabilities | 30 | 219 | 213 |
| Other non-current liabilities | 27 | 34 | 31 |
| Provisions for pensions | 25 | 170 | 332 |
| Other provisions | 26 | 144 | 147 |
| Deferred tax liabilities | 10 | 74 | 38 |
| Total non-current liabilities | | 1 035 | 1 499 |
| Current interest-bearing liabilities | 24 | 364 | 270 |
| Current lease liabilities | 30 | 71 | 48 |
| Trade payables | | 1 330 | 891 |
| Tax liabilities | | 39 | 56 |
| Other liabilities | 27 | 228 | 230 |
| Accruals and deferred income | 28 | 733 | 706 |
| Provisions | 26 | 136 | 140 |
| Total current liabilities | | 2 901 | 2 341 |
| Total liabilities | | 3 936 | 3 840 |
| Total equity and liabilities | | 11 433 | 10 333 |

Consolidated statement of changes in equity

| | Equity attributable to owners of the Parent | | | Non-controlling interests | Total equity |
|---|---|---------------------|--|---------------------------|--------------|
| | Share capital | Translation reserve | Retained earnings, incl. profit for the year | | |
| Opening equity, 1 Jan 2020 | 25 | 519 | 5 907 | 120 | 6 571 |
| Comprehensive income for the year | | | | | |
| Profit/loss for the year | - | - | 332 | 14 | 346 |
| Other comprehensive income for the year | - | -313 | -80 | -16 | -409 |
| Comprehensive income for the year | - | -313 | 252 | -2 | -63 |
| Repayment of contingent capital contribution | - | - | -4 | - | -4 |
| Dividends | - | - | - | -11 | -11 |
| Closing equity, 31 Dec 2020 | 25 | 206 | 6 155 | 107 | 6 493 |
| Opening equity, 1 Jan 2021 | 25 | 206 | 6 155 | 107 | 6 493 |
| Comprehensive income for the year | | | | | |
| Profit/loss for the year | - | - | 600 | 15 | 615 |
| Other comprehensive income for the year | - | 284 | 161 | 9 | 454 |
| Comprehensive income for the year | - | 284 | 761 | 24 | 1 069 |
| Repayment of contingent capital contribution | - | - | -48 | - | -48 |
| Dividends | - | - | - | -6 | -6 |
| Loss of control in subsidiary | - | - | - | -11 | -11 |
| Total contributions from/distributions to owners | - | - | -48 | -17 | -65 |
| Total owner transactions | - | - | -48 | -17 | -65 |
| Closing equity, 31 Dec 2021 | 25 | 490 | 6 868 | 114 | 7 497 |

Consolidated statement of cash flows

| | Note | 2021 | 2020 |
|--|------|-------------|-------------|
| Operating activities | | | |
| Operating profit/loss | | 762 | 431 |
| Adjustment for non-cash items | 36 | -146 | 84 |
| Interest received and other finance income | | 6 | 8 |
| Interest paid and other finance payments | | -38 | -44 |
| Income taxes paid | | -158 | -106 |
| Cash flow from operating activities before changes in working capital | | 426 | 373 |
| <i>Cash flow from changes in working capital</i> | | | |
| Changes in inventories | | -432 | 58 |
| Changes in operating receivables | | -340 | 10 |
| Changes in operating liabilities | | 358 | 79 |
| Cash flow from operating activities | | 12 | 520 |
| Investing activities | | | |
| Acquisition of property, plant and equipment | 12 | -215 | -128 |
| Disposal of property, plant and equipment | | 5 | 2 |
| Acquisition of other intangible assets | 11 | -16 | -16 |
| Acquisition/disposal of subsidiaries/businesses, net cash effect | 36 | - | -2 |
| Loss of control in subsidiary | | -4 | - |
| Acquisition of other securities | | -1 | -2 |
| Disposal of other securities | | 27 | 20 |
| Change in financial receivables | | -3 | 19 |
| Cash flow from investing activities | | -207 | -107 |
| Financing activities | | | |
| New borrowings | 36 | 36 | 339 |
| Repayment of borrowings | 36 | -306 | -375 |
| Repayment of lease liabilities | 36 | -59 | -57 |
| Repayment of contingent capital contribution | | -48 | -4 |
| Dividends paid to non-controlling interests | | -6 | -11 |
| Cash flow from financing activities | | -383 | -108 |
| Cash flow for the year | | -578 | 305 |
| Cash & cash equivalents at beginning of year | | 977 | 709 |
| Exchange differences | | 8 | -37 |
| Cash & cash equivalents at end of year | | 407 | 977 |

Income statement, Parent Company

| | Note | 2021 | 2020 |
|--|------|------------|------------|
| Net sales | 2 | 16 | 9 |
| Gross profit | | 16 | 9 |
| Other operating income | | - | - |
| Administrative expenses | | -105 | -103 |
| Other operating expenses | | 0 | 0 |
| Operating profit/loss | 5, 6 | -89 | -94 |
| Profit/loss from investments in Group companies | 8 | 152 | 370 |
| Profit/loss from investments in other partly-owned companies | 8 | 12 | 16 |
| Other interest and similar income | 8 | 5 | 3 |
| Interest and similar expenses | 8 | 0 | -6 |
| Profit/loss after financial items | | 80 | 289 |
| Appropriations | 9 | 79 | 76 |
| Profit before tax | | 159 | 365 |
| Tax | 10 | 0 | 1 |
| Profit/loss for the year | | 159 | 366 |

Profit/loss for the year and other comprehensive income, Parent Company

| | Note | 2021 | 2020 |
|--|------|------------|------------|
| Profit/loss for the year | | 159 | 366 |
| Other comprehensive income | | - | - |
| Comprehensive income for the year | | 159 | 366 |

Balance sheet, Parent Company

| | | 31 December | |
|---|--------|--------------|--------------|
| | Note | 2021 | 2020 |
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 11 | 0 | 0 |
| Property, plant and equipment | 12, 13 | 111 | 116 |
| Financial assets | | | |
| Investments in Group companies | 34 | 2 330 | 2 378 |
| Investments in associates and jointly controlled entities | 15 | 3 484 | 3 484 |
| Interests in other companies | 17 | 33 | 47 |
| Other non-current receivables | 18 | 12 | 12 |
| Deferred tax asset | 10 | 11 | 11 |
| Total financial assets | | 5 870 | 5 932 |
| Total non-current assets | | 5 981 | 6 048 |
| Current assets | | | |
| <i>Current receivables</i> | | | |
| Trade receivables | | 0 | 1 |
| Receivables from Group companies | | 484 | 272 |
| Current tax receivable | | 6 | - |
| Other receivables | | 0 | 3 |
| Prepayments and accrued income | | 1 | 1 |
| Total current receivables | | 491 | 277 |
| Cash and bank balances | | 154 | 236 |
| Total current assets | | 645 | 513 |
| Total assets | | 6 626 | 6 561 |

| | | 31 December | |
|--------------------------------|------|-------------|-------|
| | Note | 2021 | 2020 |
| Equity and liabilities | | | |
| Equity | | | |
| Restricted equity | | | |
| Share capital | | 25 | 25 |
| Revaluation reserve | | 541 | 541 |
| Statutory reserve | | 5 | 5 |
| Unrestricted equity | | | |
| Retained earnings | | 5 774 | 5 408 |
| Profit/loss for the year | | 159 | 366 |
| Total equity | 23 | 6 504 | 6 345 |
| Untaxed reserves | 35 | 11 | 40 |
| Provisions | | | |
| Other provisions | 26 | 20 | 20 |
| Total provisions | | 20 | 20 |
| Current liabilities | | | |
| Trade payables | | 2 | 5 |
| Liabilities to Group companies | | 27 | 93 |
| Current tax liabilities | | - | 2 |
| Other liabilities | | 4 | 0 |
| Accruals and deferred income | 28 | 58 | 56 |
| Total current liabilities | | 91 | 156 |
| Total equity and liabilities | | 6 626 | 6 561 |

Statement of changes in equity, Parent Company

| | Note | Restricted equity | | | Unrestricted equity | | Total equity |
|-----------------------------------|------|-------------------|-------------------|---------------------|---------------------|--------------------------|--------------|
| | | Share capital | Statutory reserve | Revaluation reserve | Retained earnings | Profit/loss for the year | |
| Opening equity, 1 Jan 2020 | | 25 | 5 | 541 | 5 333 | 75 | 5 979 |
| Appropriation of profits | | - | - | - | 75 | -75 | 0 |
| Comprehensive income for the year | | - | - | - | - | 366 | 366 |
| Closing equity, 31 Dec 2020 | | 25 | 5 | 541 | 5 408 | 366 | 6 345 |
| Opening equity, 1 Jan 2021 | | 25 | 5 | 541 | 5 408 | 366 | 6 345 |
| Appropriation of profits | | - | - | - | 366 | -366 | 0 |
| Comprehensive income for the year | | - | - | - | - | 159 | 159 |
| Closing equity, 31 Dec 2021 | | 25 | 5 | 541 | 5 774 | 159 | 6 504 |

Cash flow statement, Parent Company

| | | 31 December | |
|--|-----|-------------|-------------|
| | Not | 2021 | 2020 |
| Operating activities | | | |
| Operating profit/loss | | -89 | -94 |
| Adjustment for non-cash items | 36 | 4 | 6 |
| Dividends received | | 217 | 350 |
| Interest received | | 5 | 3 |
| Interest paid | | 0 | -4 |
| Income taxes paid | | -8 | -1 |
| Cash flow from operating activities before changes in working capital | | 129 | 260 |
| Cash flow from changes in working capital | | | |
| Increase (-)/decrease (+) in operating receivables | | 77 | 131 |
| Increase (+)/decrease (-) in operating liabilities | | -87 | -11 |
| Cash flow from operating activities | | 119 | 380 |
| Investing activities | | | |
| Acquisition of property, plant and equipment | 12 | 0 | -1 |
| Disposal and liquidation of subsidiary | | 0 | 29 |
| Acquisition of financial assets | 17 | -1 | -2 |
| Disposal of financial assets | | 10 | 13 |
| Change in financial receivables | | 0 | 0 |
| Cash flow from investing activities | | 9 | 39 |
| Financing activities | | | |
| Repayment of borrowings | | - | -349 |
| Change in intra-Group transactions | | -210 | -27 |
| Cash flow from financing activities | | -210 | -376 |
| Cash flow for the year | | -82 | 43 |
| Cash & cash equivalents at beginning of year | | 236 | 193 |
| Cash & cash equivalents at end of year | | 154 | 236 |

Notes

■ Note 1 Accounting policies

GROUP

Statement of compliance

The consolidated financial statements have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary Rules for Groups, International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRS IC) as adopted by the EU. The Parent Company applies the same accounting policies as the Group, except in the cases described below in the section entitled "The Parent Company's Accounting Policies".

The Board has authorised the Parent Company's financial statements and the consolidated financial statements for issue on 6 April 2022. The consolidated statements of income, comprehensive income and financial position, and the Parent Company's income statement and balance sheet will be presented for adoption at the annual general meeting on 27 April 2022.

The accounting policies described in this note have been applied in preparing the annual report as at 31 December 2021 and the comparative information as at 31 December 2020. The accounting policies applied by the Group with effect from 1 January 2013, the date of transition to IFRS, are described below.

Basis of preparation

Assets and liabilities are measured at historical cost, apart from certain financial assets and liabilities, investment property and biological assets which are measured at fair value. Financial assets and liabilities measured at fair value consist of derivative instruments and financial assets classified as financial assets at fair value through profit or loss. Defined-benefit pension plans are reported on a net basis as the difference between the fair value of plan assets and the present value of the defined-benefit liability, adjusted for any asset ceiling.

Functional currency and presentation currency

The Parent Company's functional currency is the Swedish krona, which is also the presentation currency for the Parent Company and the Group. This means that the financial statements are presented in Swedish kronor. Unless otherwise stated, all figures are in SEK million.

Judgements and accounting estimates in the financial statements

Preparation of financial statements in compliance with IFRS requires management to make critical judgements, accounting estimates and assumptions which affect the application of the accounting principles and the carrying amounts of assets, liabilities, income and expense. The actual outcome may differ from these estimates.

Estimates and assumptions are reviewed regularly. The effect of a change in accounting estimates is recognised in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Estimates made by management during the application of IFRS which have a significant effect on the financial statements, and assumptions which may result in material adjustments to the following year's financial statements, are described in more detail in note 38 Significant accounting estimates.

Judgements and accounting estimates in the financial statements

Preparation of financial statements in compliance with IFRS requires management to make critical judgements, accounting estimates and assumptions which affect the application of the accounting principles and the carrying amounts of assets, liabilities, income and expense. The actual outcome may differ from these estimates.

Estimates and assumptions are reviewed regularly. The effect of a change in accounting estimates is recognised in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Estimates made by management during the application of IFRS which have a significant effect on the financial statements, and assumptions which may result in material adjustments to the following year's financial statements are described in more detail in note 38 Significant accounting estimates.

Significant accounting policies applied

The accounting policies described below have been applied consistently to all periods presented in the Group's financial statements. The Group's accounting policies have also been applied consistently by the Group companies.

Changed accounting policies due to new or amended IFRSs

The IASB did not issue any new reporting standards, but issued several amended standards that were adopted by the EU and came into force on 1 January 2021. None of these have a material effect on the Group's financial statements.

New IFRSs not yet applied

A number of new and amended standards are effective for annual periods beginning on or after 1 January 2022 and have not been applied in the preparation of this financial report. None of these are expected to have a material effect on the Group's financial statements.

Classification etc.

Non-current assets and liabilities are essentially amounts that are expected to be recovered or paid more than twelve months after the reporting date. Current assets and liabilities are essentially amounts that are expected to be recovered or paid within twelve months of the reporting date.

Basis of consolidation, business combinations

Subsidiaries

Subsidiaries are entities over which Lindéngruppen AB has control. Control exists if Lindéngruppen AB has power over the investee, and has exposure or rights to variable returns from its involvement and has the ability to affect those returns. When assessing whether control exists, consideration is given to potential voting shares and whether de facto control exists.

Acquisitions completed after the transition to IFRS

Subsidiaries are accounted for using the acquisition method. The method means that acquisition of a subsidiary is treated as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the acquisition-date fair value of the identifiable assets acquired and liabilities assumed and any non-controlling interest. Transaction costs, except for transaction costs attributable to the issue of equity instruments or debt instruments, are recognised directly in the income statement.

For business combinations where the consideration transferred, any non-controlling interests and the fair value of the previous interest in the acquiree (for step acquisitions) exceeds the fair value of assets acquired and liabilities assumed, reported separately, the difference is recognised as goodwill. When the difference is negative, a bargain purchase, is recognised directly in profit or loss.

For step acquisitions, goodwill is determined on the date on which the NCI arises. Any previously held interest is measured at fair value, with changes recognised in profit or loss. Remaining holdings are measured at fair value, and changes are recognised in profit or loss when control ceases following disposals.

Acquisitions conducted before 1 January 2013 (date of transition to IFRS)

For acquisitions conducted before 1 January 2013, goodwill is tested for impairment and recognised at a cost corresponding to the carrying amount in accordance with the previous accounting policies. The classification and accounting treatment of business combinations that occurred before 1 January 2013 has not been reassessed in accordance with IFRS 3 in preparing the Group's opening IFRS balance sheet at 1 January 2013.

The results of operations of subsidiaries are included in the consolidated financial statements from the date of acquisition until the date on which control ceases.

In cases where a subsidiary's accounting policies do not comply with the Group's accounting policies, adjustments have been made to the Group's accounting policies.

Losses attributable to non-controlling interests are apportioned, even in cases where the non-controlling interest will be negative.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are reported as a transaction within equity, i.e. between the owners of the parent (within retained earnings) and non-controlling interests. Consequently, these

transactions do not give rise to goodwill. Changes to holdings of non-controlling interests are based on their proportionate share of net assets.

Sales to non-controlling interests

Sales to non-controlling interests, where control remains, are reported as a transaction within equity, i.e. between owners of the Parent and non-controlling interests. The difference between the consideration received and the non-controlling interest's proportionate share of the net assets acquired is recognised in retained earnings.

Associates

Associates are entities where the Group has a significant, but not controlling, influence over financial and operating policies, normally through holdings of between 20 and 50 percent of the voting power. From the date on which significant influence is established, investments in associates are accounted for in the consolidated financial statements using the equity method. The equity method means that the carrying amount of shares in associates corresponds to the Group's share of the associates' equity, goodwill on consolidation and any other residual values of surplus or deficit values. The Group's share of associates' profit/loss, adjusted for depreciation, impairment and reversals of acquired surplus or deficit values, is reported under "Share of profit/loss of associates" in the consolidated income statement. These shares of profit, less dividends received from associates, represent the main change to the carrying amount of investments in associates. The Group's share of other comprehensive income of associates is reported on a separate line in consolidated other comprehensive income.

Any difference between the cost of the investment and the investor's share of the net fair value of identifiable assets and liabilities is accounted for using the same principles as for the acquisition of subsidiaries.

Transaction costs, except for transaction costs attributable to the issue of equity instruments or debt instruments, are included in the cost.

When the Group's share of an associate's recognised losses exceeds the carrying amount of the Group's investment, the carrying amount of the investment is reduced to zero. Losses are also settled against long-term financial interests that, in substance, form part of the investor's net investment in the associate. Further losses are not recognised unless the Group has provided guarantees to cover losses arising in the associated company. The equity method is applied until the date on which significant influence ceases.

Joint ventures

In an accounting context, a joint venture is a company over which the Group has joint control, through a contractual arrangement with one or more parties. In a joint venture, the parties with joint control have rights to the net assets of the arrangement, rather than rights to the assets and obligations for the liabilities (a joint operation). In the consolidated accounts, investments in joint ventures are accounted for using the equity method. The equity method is applied from the date on which joint control is obtained until the date on which it ceases.

Transactions eliminated on consolidation

Intra-group receivables and liabilities, income and expense, and unrealised gains or losses arising from intra-group transactions are eliminated in full when preparing the consolidated financial statements. Unrealised gains on transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of impairment.

Foreign currency

Foreign currency transactions

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the transaction date. The functional currency is the currency of the primary economic environment in which the companies operate. Foreign currency monetary assets and liabilities are translated to the functional currency at the exchange rates prevailing at the reporting date. Foreign exchange gains and losses arising on translation are recognised in profit or loss for the year. Non-monetary assets and liabilities recognised at historical cost are translated using the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities carried at fair value are translated to the functional currency using the exchange rates prevailing at the fair value measurement date.

Financial statements of foreign entities

Assets and liabilities of foreign entities, including goodwill and other fair value adjustments, are translated from the foreign entity's functional currency to the Group's presentation currency, Swedish kronor, using the exchange rate prevailing at the reporting date. Income and expenses in the income statements of foreign entities are translated to Swedish kronor using average exchange rates. This average is an approximation of the cumulative effect of the exchange rates at each transaction date.

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income and are accumulated in a separate component of equity, the translation reserve. If the foreign operation is not wholly-owned, the translation difference is allocated to non-controlling interests on the basis of the proportionate shareholding. When control, significant influence or joint control of a foreign operation ceases, the cumulative translation differences attributable to the operation are reclassified from the translation reserve in equity to profit or loss. When the operation is disposed of, but control remains, the proportionate share of cumulative translation differences is transferred from the translation reserve to non-controlling interests. When parts of associates and joint ventures are disposed of but significant influence or joint control remains, the proportionate share of the translation differences is reclassified to profit or loss. Since 1 January 2013 (the date of transition to IFRS), the Company has elected to state the cumulative translation differences attributable to foreign operations at zero as at the date of transition to IFRS.

Net investment in a foreign operation

Monetary non-current receivables or liabilities attributable to a foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future, are essentially part of the Group's net investment in that foreign entity. Exchange differences arising on translation of these monetary non-current receivables or liabilities are recognised in other comprehensive income and are

accumulated in a separate component of equity, the translation reserve. On disposal of a foreign operation, the cumulative exchange differences attributable to monetary non-current receivables or liabilities are included in the cumulative translation differences which are reclassified from the translation reserve in equity to profit or loss.

Revenue

Sale of goods

Revenue is recognised based on the amount stated in the contract with the customer, i.e. net of VAT, discounts and returns. The warranties associated with these products cannot be purchased separately and are intended to ensure that the products sold comply with the agreed specifications. Such warranties are therefore reported in accordance with IAS 37. Revenue is recognised when control of a product or service is transferred to the customer, which happens when the product has been delivered and accepted by the customer. For contracts that allow customers to return goods, revenue is recognised to the extent that it is highly likely that a significant reversal of the accumulated recognised revenue will not occur. Recognised revenue is adjusted for expected returns, which are calculated based on historical data.

Rental income

Rental income from investment properties is recognised on a straight-line basis in profit or loss based on the terms of the lease. The total cost of benefits provided is recognised as a reduction of rental income over the lease period.

Government grants

An unconditional government grant related to a biological asset, which is measured at fair value less estimated costs to sell, is recognised as other operating income in the period when the government grant is receivable. Other government grants are recognised as deferred income in the statement of financial position when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attached to the grant. Grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises the related costs for which the grants are intended to compensate. Government grants related to assets are recognised in the statement of financial position as a reduction of the asset's carrying amount.

Leases

When a contract is entered into, the Group assesses whether the contract is, or contains, a lease. If the contract conveys the right to control the use of an identified asset for a certain period in exchange for consideration, the arrangement is a lease or contains a lease. In determining whether a contract conveys the right to control the use of an identified asset, the Group must be entitled to the economic benefits from its use and have the right to direct its use.

Right-of-use assets

On the commencement date (the date on which the asset is available for use by the Group), a right-of-use asset and a lease liability are recognised. On the commencement date, the right-of-use asset is measured at cost, which includes the amount of the initial measurement of the lease liability adjusted for any payments made on or before the commencement date, plus initial direct costs, plus

an estimate of the costs of dismantling the asset and restoration of the site, less any lease incentives received.

After the commencement date, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.

The Group reports right-of-use assets as a separate item ("Right-of-use assets") in the statement of financial position.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease if that rate can be readily determined. If it cannot be readily determined, the Group's incremental borrowing rate is used. The interest rate implicit in the lease is normally used.

Payments included in the measurement of the lease liability are as follows:

- fixed payments including in-substance fixed payments;
- variable payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if it is reasonably certain that the Group will exercise the option; and penalties for terminating the lease if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are measured at amortised cost using the effective interest method. The liability is remeasured by discounting the revised lease payments when:

- there is a change in future lease payments resulting from changes to an index or a rate;
- there is a change in the amounts expected to be payable under a residual value guarantee; or
- there is a change in the assessment of purchase, extension or termination options.

Short-term and low-value leases

Short-term (up to 1 year) and low-value leases are not included in the lease liability, but are recognised as an expense on a straight-line basis over the lease term. The Group defines low-value leases as leases of IT equipment, office machinery, coffee machines, furniture and other right-of-use assets with a value (when new) of less than USD 5 thousand.

The remeasurement amount for the lease liability is recognised as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the remaining remeasurement is recognised in profit or loss.

The Group recognises current and non-current lease liabilities as separate items in the statement of financial position.

Finance income and costs

Finance income consists of interest income on funds invested, dividend income, gains on disposal of financial assets, gains on remeasurement of financial assets at fair value through profit or loss and gains on hedging instruments recognised in profit or loss.

Interest income on financial instruments is recognised using the effective interest method (see below). Dividend income is recognised when the right to receive payment of a dividend is established. Gains on the sale of financial instruments are recognised when the risks and benefits associated with ownership of the instrument have been transferred to the buyer and the Group no longer has control over the instrument.

Finance costs consist of interest expenses on loans, leases, the effect of reversing the present value calculation of provisions, revaluation losses on changes in the value of financial assets at fair value through profit or loss, impairment of financial assets and losses on hedging instruments recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest method, unless they are directly attributable to the acquisition, construction or production of assets that take a substantial period to get ready for their intended use or sale, in which case they are included in the cost of the assets. Exchange gains and losses are reported in operating profit/loss on a net basis if they are attributable to operating items and in net financial items if they are attributable to financial items. Changes in the fair value of currency derivatives are reported in operating profit/loss if they are attributable to operating items and in net financial items if they are attributable to financial items.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of a financial instrument to the net carrying amount of the financial asset or liability. The calculation includes all fees paid or received between parties that are a part of the effective interest rate, transaction costs and all other surplus or deficit values.

Taxes

Income tax consists of current tax and deferred tax. Income taxes are recognised in the income statement, unless the underlying transaction is recognised in other comprehensive income or in equity, in which case the associated tax effect is recognised in other comprehensive income or in equity.

Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the current year, and is calculated using tax rates that have been enacted or substantively enacted at the reporting date, including any adjustments relating to prior periods.

Deferred tax is accounted for using the balance-sheet liability method. A deferred tax liability is recognised for temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases. Deferred tax is not recognised for temporary differences arising from goodwill on consolidation or for differences arising from the initial recognition of assets and

liabilities in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit or loss. In addition, deferred tax is not recognised for temporary differences arising from goodwill on consolidation or for differences relating to investments in subsidiaries and associates that are not expected to be reversed in the foreseeable future. The measurement of deferred tax is based on how the underlying assets and liabilities are expected to be recovered or settled. Deferred tax liabilities and assets are measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets on temporary differences and deferred tax assets arising from the carryforward of unused tax losses are only recognised to the extent that it is probable that they can be utilised in the future. The carrying amounts of deferred tax assets are reviewed and reduced to the extent that it is no longer probable that the deferred tax asset can be utilised. Any additional income tax arising from the distribution of dividends, referred to as withholding tax, is recognised at the same time as the dividend is recognised as a liability.

Uncertainty over tax treatments is reported under tax liabilities or tax assets.

Financial instruments

Financial instruments recognised under assets in the statement of financial position (balance sheet) include cash & cash equivalents, loan receivables, trade receivables, financial investments and derivatives. Liabilities include trade payables, loans and derivatives.

Recognition and derecognition

A financial asset or liability is recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. A receivable is recognised when the Company has performed and there is a contractual obligation for the counterparty to pay, even if an invoice has not yet been sent. Trade receivables are recognised in the statement of financial position when an invoice has been sent. A liability is recognised when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade payables are recognised on receipt of the invoice.

A financial asset is derecognised in the statement of financial position when the rights to receive benefits have been realised, expired or the Company loses control over them. The same applies to part of a financial asset. A financial liability is derecognised in the statement of financial position when the contractual obligation has been discharged or extinguished in some other way. The same applies to part of a financial liability.

A financial asset and a financial liability may be offset and the net amount presented in the statement of financial position when, and only when, there is a legally enforceable right to set off the recognised amounts; and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Acquisitions and disposals of financial assets are recognised on the trade date (the date on which the Company commits itself to purchase or sell the asset).

Classification and measurement

On initial recognition, a financial asset or liability is measured at fair value plus or minus transaction costs directly attributable to the acquisition or issue of the financial asset or liability. However, any transaction costs for financial instruments that are subsequently measured at fair value through profit or loss are recognised as they are incurred. Trade receivables are measured at the transaction price determined in accordance with IFRS 15.

Holdings of unlisted UCITS funds

The Group's holdings of units in unlisted UCITS funds are measured at fair value through profit or loss (net financial items) as the units in the fund do not constitute equity instruments (from the fund's perspective) and do not generate cash flows that are solely payments of principal and interest.

Holdings of unlisted shares

The Group holds shares in unlisted companies. These are measured at fair value through profit or loss (net financial items).

Holdings of convertible debt instruments

The Group's holdings of convertible debt instruments are measured at fair value through profit or loss (net financial items) in their entirety, i.e. without separating the instrument into an option portion and a receivable portion.

Derivative instruments

The Group's derivative instruments have been acquired for the purpose of economically hedging its interest and foreign currency exposure. All derivatives are measured at fair value through profit or loss. Hedge accounting is not applied. Changes in the fair value of derivatives are recognised as income or expense in operating profit or loss or in net financial items based on the purpose for which the derivative instrument was acquired and whether its use relates to an operating item or a financial item. When using interest rate swaps, the interest coupon is recognised as interest expense, and other fair value changes are recognised as other finance income or other finance costs.

Other financial assets

Financial assets other than those described above are measured at amortised cost. This is because they are held within the framework of a business model whose goal is to collect contractual cash flows, while the cash flows from the assets consist solely of payments of principal and interest.

Classification and measurement of financial liabilities

Financial liabilities are classified as either at amortised cost or at fair value through profit or loss. Liabilities that are measured at fair value consist solely of derivatives with a negative fair value. All other liabilities are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits with banks and similar institutions and short-term deposits with an original maturity of 3 months or less, which are subject to an insignificant risk of changes in value.

Property, plant and equipment

Items of property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any expenditure directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Borrowing costs directly attributable to the acquisition, construction or production of assets that take a substantial period to get ready for their intended use or sale are included in the cost. Accounting policies for impairment are described below.

The cost of a self-constructed asset includes employee benefits, costs of materials, other construction costs directly attributable to the item, costs of dismantling and estimated costs of removing the item and restoring the site on which it is located.

Parts of property, plant and equipment that have different useful lives are treated as separate components of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the selling price and the asset's carrying amount less direct costs to sell. Gains and losses are reported under other operating income/expense.

Subsequent costs

Subsequent costs are included in the carrying amount only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. All other subsequent costs are recognised as an expense in the period in which they are incurred.

A subsequent cost is added to the cost of acquisition if it relates to the replacement of identified components or parts thereof. Costs relating to the construction of new components are also added to the cost of acquisition. The residual value of a replaced component or part thereof is disposed of and recognised as an expense at the time of replacement. Repairs are recognised as an expense as incurred.

Borrowing costs

Borrowing costs that are attributable to the construction of qualifying assets are capitalised as part of the cost of the qualifying asset. A qualifying asset is an asset that necessarily takes a significant length of time to prepare for its intended use. Firstly, borrowing costs incurred on loans that are specific to the qualifying asset are capitalised. Secondly, borrowing costs incurred on general loans that are not specific to any other qualifying asset are capitalised. For the Group, capitalisation of borrowing costs is mainly relevant to the construction of its own warehouse and production buildings.

Depreciation

Depreciation is applied on a straight-line basis over the useful life of the asset. Land is not depreciated. Leased assets are also depreciated over their estimated useful lives or, if shorter, over

the agreed lease term. This applies to both IFRS 16 Leases and IAS 17 Leases for the comparative year. The Group applies component depreciation, which means depreciation is based on the estimated useful lives of components. Estimated useful lives are as follows:

| | |
|--|------------|
| Plant and machinery | 5–10 years |
| Equipment, tools and fixtures & fittings | 3–10 years |

Owner-occupied properties comprise a number of components with different useful lives. The main category is land and buildings. Land is not depreciated, as it has an indefinite useful life. Buildings consist of a number of components with different useful lives. The following main groups of components have been identified, and form the basis of depreciation of buildings:

| | |
|--|-------------|
| Foundations and frame | 50–60 years |
| Roofs, windows, doors, internal walls etc. | 30 years |
| Technical installations | 20 years |
| Internal surfaces, machinery etc. | 10 years |

Depreciation methods, residual values and useful lives are reviewed at each year-end.

Intangible assets

Goodwill

Goodwill is carried at cost less accumulated impairment. Goodwill is allocated to cash-generating units and is tested for impairment at least annually. Goodwill on the acquisition of an associate is included in the carrying amount of investments in associates.

When the Group adopted IFRS, it was decided not to apply IFRS retrospectively to goodwill that arose before 1 January 2013. Consequently, the carrying amount on that date represents the Group's cost of acquisition after impairment testing.

Research and development

Expenditure on research aimed at obtaining new scientific or technical knowledge is recognised as an expense as incurred. Significant development expenditure, whereby research findings or other knowledge is applied in order to achieve new or improved products or processes, is recognised as an asset in the statement of financial position if the product or process is technically and commercially feasible and the Company has sufficient resources to complete the development and subsequently use or sell the intangible asset. The reported value includes all directly attributable costs, such as materials and services, employee benefits, registration of a legal right, amortisation of patents and licences and borrowing costs in accordance with IAS 23. Other development costs are recognised as an expense in the income statement as incurred. Capitalised development expenses are recognised at cost less accumulated amortisation and impairment losses in the statement of financial position.

Other intangible assets

Other intangible assets acquired by the Group consist of patents and trademarks and are recognised at cost less accumulated amortisation and impairment losses. Costs incurred for

internally generated goodwill and internally generated trademarks are recognised in the income statement as incurred.

Subsequent costs

Subsequent costs for capitalised intangible assets are recognised as an asset only when it is probable that this expenditure will enable the asset to generate additional future economic benefits. All other expenditure is recognised as an expense when incurred.

Borrowing costs

Borrowing costs that are attributable to the construction of qualifying assets are capitalised as part of the cost of the qualifying asset. A qualifying asset is an asset that necessarily takes a significant length of time to prepare for its intended use. Firstly, borrowing costs incurred on loans that are specific to the qualifying asset are capitalised. Secondly, borrowing costs incurred on general loans that are not specific to any other qualifying asset are capitalised. For the Group, capitalisation of borrowing costs mainly relates to capitalised development expenses associated with the development of new computer systems.

Amortisation

Amortisation is recognised in profit/loss for the year on a straight-line basis over the intangible asset's useful life unless it has an indefinite useful life. Useful lives are reviewed at least annually. Goodwill and other intangible assets with indefinite useful lives or which are not yet ready for use are tested for impairment annually or as soon as there is an indication that a particular asset is impaired. Intangible assets with finite useful lives are amortised from when they are available for use. The estimated useful lives are:

| | |
|------------------------|-------------|
| Patents and trademarks | 10–20 years |
|------------------------|-------------|

Biological assets

The Group's biological assets are measured at fair value less estimated costs to sell. A gain or loss arising on initial recognition of a biological asset at fair value less estimated costs to sell, or resulting from a change to a biological asset's fair value less estimated costs to sell is included in the Group's profit or loss for the period in which it arises. Costs to sell include all costs required to sell the assets, but exclude costs of getting the assets to a market.

Investment property

Investment property is property held to earn rental income or for capital appreciation or both. Investment property is initially measured at cost, which includes expenses directly attributable to the acquisition.

Investment property is recognised at fair value in the statement of financial position. The fair value is based on valuations by external independent valuers with recognised qualifications and adequate expertise in valuing property of the type and in the location in question. The valuation is normally conducted annually for major property holdings and every three years for smaller holdings.

The fair value is based on the market value, which is the estimated amount for which the property could be exchanged between market participants through an orderly transaction at the valuation date.

Both realised and unrealised fair value changes are recognised in net profit or loss. Rental income and income from property sales is reported in accordance with the principles described in the section on revenue recognition.

Subsequent costs – investment property measured using the fair value model

Subsequent costs are included in the carrying amount only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. All other subsequent costs are recognised as an expense in the period in which they are incurred. In order for subsequent costs to qualify for inclusion in the carrying amount, they must relate to the replacement of identified components or parts thereof. If this is the case, these costs are capitalised. Costs relating to the construction of new components are also included in the carrying amount. Repairs are recognised as an expense as incurred.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is measured using the first-in, first-out (FIFO) principle, and includes costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of finished goods and work in progress includes a reasonable proportion of indirect costs based on normal operating capacity.

The net realisable value is the estimated selling price in the ordinary course of business less costs of completion and estimated costs necessary to make the sale. Biological assets related to agricultural activities and agricultural produce are measured at fair value less costs to sell up to the point of harvest, after which the assets are reported under inventories.

Impairment

The Group's reported assets are assessed at each reporting date to determine if there is any indication of impairment. IAS 36 is applied for impairment of assets other than financial assets, which are accounted for under IFRS 9, investment property measured at fair value, inventories, plan assets used to finance employee benefits, biological assets and deferred tax assets. The carrying amount of assets listed above as exceptions is estimated within the scope of the relevant standard.

Impairment of property, plant and equipment, intangible assets, right-of-use assets and investments in associates and joint ventures

If there is an indication of impairment, the asset's recoverable amount is measured (see below). The recoverable amount is calculated annually for goodwill, other intangible assets with indefinite useful lives and intangible assets not yet ready for use. If an asset does not generate independent cash inflows and its fair value less costs to sell cannot be used, it is tested for impairment as part of the cash-generating unit to which it belongs, i.e. the smallest identifiable group of assets which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is recognised when the recoverable amount of an asset or a cash-generating unit (group of units) is less than its carrying amount. The loss is recognised as an expense in the income statement. Impairment losses recognised for a cash-generating unit (group of units) are initially allocated to goodwill. They are then allocated to the other assets of the unit (group of units) pro rata on the basis of each asset's carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In measuring value in use, cash flows are discounted using a discount rate that reflects the risk-free rate of interest and the risks specific to the asset.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost in accordance with IFRS 15. The loss allowance for trade receivables is measured at an amount corresponding to the full lifetime loss risk for the receivable. For other receivables, the loss allowance is measured at an amount equal to 12 months' expected credit losses, provided there has not been a significant increase in credit risk since initial recognition.

Beckers allocates a credit risk rating to each exposure based on external credit ratings. Based on the credit risk rating and a factor related to loss given default, an expected credit loss for each customer is calculated. Colart and Moorbrook Textiles apply a loss provision matrix based on an age analysis of outstanding trade receivables, with an adjustment for forward-looking factors.

Credit losses are measured as the present value of all cash flow deficits (i.e. the difference between the company's contractual cash flow and the cash flow the Group expects to collect). In the statement of financial position, assets are recognised net of any impairment losses.

The Group defines a default as a situation where it is considered unlikely that the counterparty will meet its obligations due to indicators such as financial difficulties and missed payments. The Group writes off a receivable when it considers that no opportunities for further cash flows exist.

Dividends

Dividends are recognised as a liability when the dividend has been adopted by the annual general meeting.

Employee benefits

Short-term employee benefits

Short-term employee benefits are calculated without discounting and are recognised as an expense when the related services are rendered. A provision for the expected cost of bonus payments is recognised when the Group has a legal or constructive obligation to make such payments as a result of employees having provided the services in question and when the amount can be measured reliably.

Defined-contribution pension plans

Defined-contribution pension plans are plans under which the Company's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. In such cases, the size of the employee's pension depends on the contributions the Company pays to the plan or to an insurance company together with investment returns arising from the contributions. In consequence,

actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee. The Company's obligations under defined-contribution plans are recognised as an expense in the income statement as they are earned, i.e. when employees have rendered services to the Company during a period.

Defined-benefit pension plans

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans. The Group has significant defined-benefit plans in Sweden, Germany, Italy, France and the UK.

The Group's net defined-benefit obligation is calculated separately for each plan by estimating the future benefit that employees have earned in return for their service in the current and prior periods. This benefit is discounted to the present value. The discount rate is determined by reference to the closing-date market yield on a high quality corporate (or mortgage) bond of a term consistent with the term of the Group's pension obligation, or where there is no deep market in such bonds, by reference to market yields on government bonds with a corresponding term. The calculations are performed by a qualified actuary using the projected unit credit method. The fair value of plan assets is also calculated as at the reporting date.

The Group's net obligation is the present value of the obligation less the fair value of the plan assets, adjusted for any asset ceiling.

Net interest expense/income on the defined-benefit liability or asset is recognised in the income statement under net financial items. Net interest income is based on the interest that arises on discounting of the net obligation, i.e. interest on the obligation, plan assets and interest on the effect of any asset ceiling. Other components are reported in operating profit/loss.

Remeasurement effects consist of actuarial gains and losses, the difference between the actual return on plan assets and the amount included in net interest income and any changes in the effect of the asset ceiling (excl. interest included in net interest income). The remeasurement effects are recognised in OCI.

When the remeasurement calculation results in an asset for the Group, the carrying amount is the lower of the surplus in the plan and the asset ceiling calculated using the discount rate. The asset ceiling is the present value of any future economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. In calculating the present value of future refunds or contributions, any minimum funding requirements are taken into account.

Plan amendments or curtailment of a defined-benefit plan are recognised at the earlier of the following dates; a) when the plan amendment or curtailment occurs; or b) when the entity recognises related restructuring costs and termination benefits. Amendments and curtailments are recognised directly in net profit or loss. Payroll tax is included in the actuarial assumptions and is therefore reported as a component of the net liability or asset. For the sake of simplicity, the portion of payroll tax calculated according to the Swedish Pension Obligations Vesting Act for the legal entity is reported as an accrued expense rather than a component of the net liability or asset. Yield tax is recognised in profit or loss for the period to which the tax relates, and is therefore not included in the liability calculation. For funded plans, the tax is charged to return on plan assets and

is recognised in OCI. For unfunded or partially unfunded plans, the tax is charged to profit or loss for the year.

Other long-term benefits

The Group's net liability for other long-term employee benefits apart from pensions is the total of future benefits due to employees for services rendered in the current period and prior periods. The benefit is discounted to the present value and the fair value of any plan assets is deducted. The discount rate is determined on the same basis as for defined-benefit pension plans. The calculations are performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

Termination benefits

An expense for employee termination benefits is recognised at the earlier of the following dates:

when the entity can no longer withdraw the offer of those benefits to the employee; or

when the entity recognises costs for a restructuring. Benefits expected to be settled after twelve months are recognised at their present value. Benefits that are not expected to be fully settled within twelve months are reported under long-term benefits.

Provisions

A provision differs from other liabilities as there is uncertainty about the timing or amount required to settle the provision. A provision is recognised in the statement of financial position when there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, provisions are estimated by discounting expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of possible outcomes in relation to the probabilities associated with the outcomes.

Restructuring

A restructuring provision is recognised when a detailed and formal restructuring plan is in place, and the restructuring has either begun or been publicly announced. No provision is recognised for future operating expenses.

Remediation of contaminated soil

In accordance with the Group's environmental policy and applicable legal requirements, a provision for remediation of contaminated soil is recognised when soil has been exposed to contamination.

Onerous contracts

A provision for onerous contracts is recognised when the benefits the Group receives from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

Contingent liabilities

A contingent liability is recognised when a possible obligation arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events outside the Group's control, or when there is an obligation which is not recognised as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation or the amount cannot be measured reliably.

PARENT COMPANY

The Parent Company's accounting policies

The Parent Company's annual financial statements are prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The Swedish Financial Reporting Board's issued statements concerning listed companies are also applied. RFR 2 requires the Parent Company, as a legal entity, to prepare its annual financial statements in compliance with all IFRS and IFRIC interpretations adopted by the EU to the extent possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and taking into account the relationship between tax expense (income) and accounting profit. The recommendation specifies exemptions from and additions to IFRS.

Differences between the Group's and the Parent Company's accounting policies

Differences between the Group's and the Parent Company's accounting policies are described below. The accounting policies described below have been applied consistently to all periods presented in the Parent Company's financial statements.

Amended accounting policies

The Swedish Financial Reporting Board has decided that a number of amendments to IFRS standards will also apply to legal entities. These changes do not have any effect on the Parent Company's financial statements.

Future changes to accounting policies

No future changes that have been decided are expected to have any effect on the Parent Company's financial statements.

Classification and presentation

For the Parent Company, an income statement and a statement of comprehensive income and other comprehensive income are presented, which is consistent with the Group. The Parent Company's "balance sheet" and "cash flow statement" correspond to the Group's "statement of financial position" and "statement of cash flows". The Parent Company's income statement and balance sheet are presented in accordance with the format described in the Annual Accounts Act, while the statement of comprehensive income and OCI, the statement of changes in equity and the cash flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash

Flows. The differences between the consolidated financial statements and the Parent Company's income statement and balance sheet relate mainly to finance income, finance costs, non-current assets and equity, and the reporting of provisions as a separate balance sheet heading.

Subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are recognised in the Parent Company using the cost method. This means that transaction costs are included in the carrying amount of investments in subsidiaries, associates and joint ventures. In the consolidated accounts, transaction costs attributable to subsidiaries are recognised directly in profit or loss as incurred.

Contingent consideration is measured on the basis of the probability that the purchase consideration will be paid. Any changes in the provision/receivable are added to or deducted from the cost. In the consolidated accounts, contingent consideration is recognised at fair value through profit or loss.

Bargain purchases corresponding to expected future losses and expenses are reversed during the periods in which the losses and costs are expected to arise. A bargain purchase arising from other causes is reported as a provision to the extent it does not exceed the fair value of acquired identifiable non-monetary assets. The portion that exceeds this value is recognised as income immediately. The portion that does not exceed the fair value of acquired identifiable non-monetary assets is recognised as income on a systematic basis over a period that is calculated as the remaining weighted average useful life of the acquired identifiable assets that are depreciable. In the consolidated accounts, bargain purchases are recognised directly in profit or loss.

Property, plant and equipment

Like the Group, the Parent Company recognises property, plant and equipment at cost less accumulated depreciation and impairment losses, although the Parent Company also reports appreciation in value.

Leased assets

Lease payments are recognised as an expense on a straight-line basis over the lease term and right-of-use assets and lease liabilities are not therefore recognised in the balance sheet.

Borrowing costs

The Parent Company's borrowing costs are recognised as an expense in the period in which they are incurred. No borrowing costs are capitalised.

Investment property

Investment property is accounted for according to the Group's principles for property, plant and equipment, but without the option of applying the fair value model. The cost method is applied instead, with depreciation over the estimated useful life of the buildings. In accordance with the exemption rules for investment property in RFR 2, buildings are accounted for as a single depreciation unit with no breakdown into components. Subsequent costs are capitalised only to the extent that they raise the value from the property's acquisition-date value.

Taxes

In the Parent Company's balance sheet, untaxed reserves are reported without being divided into equity and deferred tax liability, unlike in the consolidated accounts. Similarly, in the Parent Company's income statement, there is no allocation of part of the appropriations to deferred tax expense.

Group contributions

Group contributions are recognised as an appropriation.

■ Note 2 Distribution of net sales

Revenue streams

The Group generates revenue primarily from the sale of industrial paints, coil coatings, artists' materials, textile products and horses. Other sources of revenue consist of property rentals.

Performance obligations

Performance obligations regarding sales of goods are satisfied on delivery to the customer. Standard warranties and payment terms are provided. The Group's obligations regarding returns are marginal and are mainly related to online sales of artists' materials and textile products directly to consumers.

Contract balances

Information on receivables from contracts with customers is presented in note 20 Trade receivables. There are no contract assets. Accrued bonuses to customers are shown in note 28 Accruals and deferred income. Accrued income is shown in note 21 Prepayments and accrued income. Outstanding performance obligations have an expected maturity of less than one year.

GROUP

Net sales by geographical market

| | 2021 | 2020 |
|-----------------------|--------------|--------------|
| Sweden | 241 | 199 |
| Rest of Nordic region | 274 | 261 |
| Belgium | 378 | 345 |
| France | 940 | 857 |
| Italy | 467 | 465 |
| Russia | 92 | 208 |
| Spain | 519 | 386 |
| UK | 646 | 535 |
| Germany | 239 | 240 |
| Rest of Europe | 897 | 789 |
| North America | 1 037 | 909 |
| India | 278 | 274 |
| China | 819 | 712 |
| Rest of Asia | 1 083 | 1 068 |
| Other | 401 | 344 |
| | 8 311 | 7 592 |

Revenue streams

| | 2021 | 2020 |
|--|--------------|--------------|
| <i>Net sales:</i> | | |
| Revenue from contracts with customers | 8 308 | 7 589 |
| Rental income from investment property | 3 | 3 |
| | 8 311 | 7 592 |

Distribution of revenue from contracts with customers

| | 2021 | 2020 |
|-------------------------------------|--------------|--------------|
| Industrial paints and coil coatings | 6 438 | 5 853 |
| Artists' materials | 1 662 | 1 562 |
| Textile products | 183 | 164 |
| Other product sales | 25 | 10 |
| | 8 308 | 7 589 |

PARENT COMPANY

Net sales:

| | 2021 | 2020 |
|--|-----------|----------|
| Management service charges to subsidiaries | 15 | 8 |
| Rental income from property rentals | 1 | 1 |
| | 16 | 9 |

Note 3 Other operating income

GROUP

| | 2021 | 2020 |
|---|-----------|------------|
| Government grants | 35 | 66 |
| Exchange gain on operating assets/liabilities | 34 | 77 |
| Change in fair value of investment property | 2 | 2 |
| Gain on sale of non-current assets | 1 | 0 |
| Change in fair value of currency derivatives | - | 8 |
| Other | 18 | 11 |
| | 90 | 164 |

■ Note 4 Other operating expenses

| | 2021 | 2020 |
|---|------------|-------------|
| Exchange losses on operating assets/liabilities | -20 | -104 |
| Loss from loss of control in subsidiary according to IFRS 10.25 | -10 | - |
| Change in fair value of currency derivatives | -9 | -1 |
| Loss on sale of non-current assets | -3 | -7 |
| Depreciation/amortisation and impairment that cannot be allocated by function | -3 | -1 |
| Other | -12 | -37 |
| | -57 | -150 |

■ Note 5 Employees and personnel expenses

GROUP

Average number of employees

| | 2021 | | 2020 | |
|----------|--------------|------------|--------------|------------|
| | Number | Male | Number | Male |
| Sweden | 669 | 68% | 676 | 67% |
| France | 559 | 56% | 502 | 54% |
| India | 432 | 61% | 451 | 60% |
| Italy | 186 | 66% | 175 | 65% |
| China | 184 | 63% | 185 | 67% |
| Malaysia | 173 | 68% | 165 | 67% |
| Poland | 106 | 77% | 108 | 77% |
| UK | 101 | 95% | 104 | 95% |
| Germany | 95 | 64% | 102 | 64% |
| USA | 93 | 67% | 86 | 77% |
| Vietnam | 70 | 66% | 67 | 64% |
| Other | 210 | 76% | 226 | 75% |
| | 2 878 | 66% | 2 847 | 66% |

Employee benefits expenses

| | 2021 | 2020 |
|--|--------------|--------------|
| Salaries and other benefits | 1 351 | 1 285 |
| Pension costs, defined-contribution plans | 51 | 52 |
| Pension costs, defined-benefit plans, current year | 11 | 12 |
| Pension costs, defined-benefit plans, prior years | -1 | - |
| Other post-employment benefits | 9 | 56 |
| Social security contributions | 318 | 313 |
| | 1 739 | 1 718 |

Gender distribution in executive management

| | 2021 | | 2020 | |
|-------------------------|------|--------|------|--------|
| | Male | Female | Male | Female |
| Boards | 81% | 19% | 82% | 18% |
| Other senior executives | 79% | 21% | 78% | 22% |

'Boards' includes boards of all Group companies in accordance with note 34. 'Other senior executives' includes the management teams of the Parent Company, Beckers and Colart, and the CEO of Moorbrook Textiles.

Salaries and employee benefits for Board and CEO and other employees

| | 2021 | 2020 |
|--|--------------|--------------|
| Board and CEO | 127 | 129 |
| Other employees | 1 224 | 1 156 |
| | 1 351 | 1 285 |
| Of which bonuses and similar to the Board and CEO | 43 | 38 |
| Of which salaries and other benefits to senior executives other than the Board and CEO | 68 | 65 |

'Board and CEO' includes boards and CEOs of all Group companies in accordance with note 34. Senior executives other than the Board and the CEO consists of the management teams (excl. CEO) of the Parent Company, Beckers and Colart – a total of 14 (11) individuals.

In the event of termination of employment by the Company, the CEO and other senior executives are entitled to severance pay corresponding to 6-18 months of salary, including pension benefits.

PARENT COMPANY

Average number of employees

| | 2021 | | 2020 | |
|--------|--------|------|--------|------|
| | Number | Male | Number | Male |
| Sweden | 14 | 43% | 13 | 46% |

Gender distribution in executive management

| | 2021 | | 2020 | |
|---------------------------------|------|--------|------|--------|
| | Male | Female | Male | Female |
| Board | 67% | 33% | 67% | 33% |
| CEO and other senior executives | 75% | 25% | 75% | 25% |

Salaries and employee benefits for Board and CEO and other employees

| | 2021 | 2020 |
|--|-----------|-----------|
| Board and CEO | 28 | 29 |
| Other employees | 21 | 15 |
| | 49 | 44 |
| Of which bonuses and similar to the Board and CEO | 16 | 18 |
| Of which salaries and other benefits to senior executives other than the Board and CEO | 11 | 11 |

Salaries, employee benefits and social security contributions

| | 2021 | 2020 |
|---|-----------|-----------|
| Salaries and other benefits | 48 | 44 |
| Other post-employment benefits | 1 | - |
| Social security contributions | 23 | 24 |
| | 72 | 68 |
| Of which pension costs | 6 | 9 |
| Of which pension costs to Board and CEO | 2 | 2 |

In the event of termination of employment by the Company, the CEO and other senior executives are entitled to severance pay corresponding to 6-12 months of salary, including pension benefits.

■ Note 6 Auditors' fees

Audit services comprise the statutory audit of the annual and consolidated accounts, accounting records and administration of the Board of Directors and CEO, and any auditing and other examination performed in accordance with agreements or contracts. This also includes other procedures required to be carried out by the Company's auditors, as well as advice or other assistance arising from observations made during the audit or while performing such other procedures. At the 2018 AGM, Deloitte AB was elected as the Parent Company's auditor. Deloitte is also the auditor for most of the subsidiaries.

GROUP**Auditors' fees and remuneration**

| | 2021 | 2020 |
|------------------------|-----------|-----------|
| <i>Deloitte:</i> | | |
| Audit services | 12 | 12 |
| Other services | 1 | 1 |
| | 13 | 13 |
| <i>Other auditors:</i> | | |
| Audit services | 0 | 1 |
| Other services | 0 | 0 |
| | 0 | 1 |
| | 13 | 14 |

PARENT COMPANY**Auditors' fees and remuneration**

| | 2021 | 2020 |
|------------------|----------|----------|
| <i>Deloitte:</i> | | |
| Audit services | 1 | 1 |
| Other services | 0 | 0 |
| | 1 | 1 |

■ Note 7 Operating expenses by nature of expense

| | 2021 | 2020 |
|--------------------------|---------------|---------------|
| Cost of materials | -4 837 | -4 121 |
| Personnel expenses | -1 739 | -1 739 |
| Other external costs | -1 126 | -1 211 |
| Depreciation | -257 | -250 |
| Impairment | 7 | 10 |
| Other operating expenses | -54 | -149 |
| | -8 006 | -7 460 |

■ Note 8 Net financial items

GROUP

| | 2021 | 2020 |
|--|------------|------------|
| Finance income | | |
| Interest income from bank deposits | 6 | 8 |
| Other interest income | 1 | 0 |
| Financial assets at fair value through profit or loss | 13 | 17 |
| Change in value of currency derivatives | 9 | 10 |
| Net foreign exchange changes | 10 | 49 |
| | 39 | 84 |
| Finance costs | | |
| Interest expenses, credit institutions | -25 | -31 |
| Interest expenses, defined-benefit plans | -4 | -3 |
| Interest expenses, leases | -11 | -12 |
| Interest expenses, other | -4 | -4 |
| Financial assets at fair value through profit or loss | -1 | -5 |
| Change in value of currency derivatives | -23 | -24 |
| | -68 | -79 |
| Net financial items | -29 | 5 |
| <i>Of which changes in value estimated using valuation techniques:</i> | | |
| Currency derivatives | -14 | -14 |

PARENT COMPANY

| | | |
|---|-----------|-----------|
| Profit/loss from investments in other partly-owned companies | | |
| | 2021 | 2020 |
| Financial assets measured at fair value | 12 | 16 |
| | 12 | 16 |

Interest and similar income

| | | |
|----------------------------------|----------|----------|
| | 2021 | 2020 |
| Interest income, Group companies | 5 | 3 |
| Interest income, other | 0 | 0 |
| | 5 | 3 |

Interest and similar expenses

| | | |
|--------------------------|----------|-----------|
| | 2021 | 2020 |
| Interest expenses, other | 0 | -6 |
| | 0 | -6 |

Profit/loss from investments in Group companies

| | | |
|--|------------|------------|
| | 2021 | 2020 |
| Dividend | 200 | 350 |
| Write-down of shares in subsidiaries | -48 | - |
| Gain/loss on liquidation of subsidiaries | 0 | 20 |
| | 152 | 370 |

■ Note 9 Appropriations

| | | |
|------------------------------------|-----------|-----------|
| | 2021 | 2020 |
| Group contributions received | 92 | 80 |
| Group contributions paid | -42 | -31 |
| Reversal of tax allocation reserve | 29 | 28 |
| Accelerated depreciation | - | -1 |
| | 79 | 76 |

■ Note 10 Tax

GROUP

Tax expense recognised

| | 2021 | 2020 |
|---|-------------|-------------|
| <i>Current tax expense (-)/tax income (+)</i> | | |
| Tax expense for the period | -105 | -123 |
| Adjustment of tax relating to prior years | 25 | -1 |
| | -80 | -124 |
| <i>Deferred tax expense (-)/tax income (+)</i> | | |
| Deferred tax on temporary differences | 3 | 27 |
| Deferred tax resulting from changes in tax rates | -2 | 0 |
| Deferred tax income in tax loss carryforward capitalised during year | 3 | 2 |
| Deferred tax expense resulting from utilisation of previously capitalised tax value of loss carryforwards | -10 | -22 |
| Deferred tax on revaluation of the carrying amount of deferred tax assets | -3 | 10 |
| Adjustment of tax relating to prior years | -26 | 18 |
| Other | -3 | -1 |
| | -38 | 34 |
| Total tax expense recognised, Group | -118 | -90 |

Reconciliation of effective tax

| | 2021 | | 2020 | |
|--|--------------|-------------|--------------|------------|
| Profit before tax | | 733 | | 436 |
| Tax according to Parent's applicable tax rate | 20,6% | -151 | 21,4% | -93 |
| Effect of different tax rates for foreign subsidiaries | 1,0% | -7 | 3,0% | -13 |
| Non-deductible expenses | 1,1% | -8 | 3,2% | -14 |
| Non-taxable income | -0,7% | 5 | -3,2% | 14 |
| Profit/loss from investments in associates and joint ventures | -10,2% | 75 | -6,7% | 29 |
| Increase in temporary differences for which no deferred tax was capitalised | 0,4% | -3 | 2,8% | -12 |
| Increase in loss carryforwards for which no deferred tax was capitalised | 1,8% | -13 | 4,1% | -18 |
| Utilisation of previously uncapitalised deferred tax on temporary differences and loss carryforwards | -0,3% | 2 | -2,3% | 10 |
| Revaluation of deferred tax on temporary differences and deferred tax | 0,7% | -5 | 0,0% | 0 |
| Tax attributable to prior years | 0,1% | -1 | -3,9% | 17 |
| Effect of changes in tax rates and/or tax rules | 0,3% | -2 | 0,0% | 0 |
| Tax deducted at source on dividends from subsidiaries | 1,1% | -8 | 3,2% | -14 |
| Other | 0,3% | -2 | -1,0% | 4 |
| Recognised effective tax | 16,1% | -118 | 20,6% | -90 |

Tax attributable to other comprehensive income

| | 2021 | 2020 |
|--|------------|-----------|
| Deferred tax attributable to actuarial gains and losses on pension liabilities | -29 | 15 |
| | -29 | 15 |

Unrecognised deferred tax assets

| | 2021 | 2020 |
|----------------------------------|------------|------------|
| Deductible temporary differences | 72 | 58 |
| Tax losses | 402 | 380 |
| | 474 | 438 |

The unrecognised deferred tax assets relate primarily to tax losses in the UK, the US, Canada and China. As it is uncertain whether the Group will be able to use them against future profits, they have not been recognised in the consolidated statement of financial position.

Recognised deferred tax assets and liabilities

| | 2021 | | | 2020 | | |
|--|---------------------|--------------------------|------------|---------------------|--------------------------|------------|
| | Deferred tax assets | Deferred tax liabilities | Net | Deferred tax assets | Deferred tax liabilities | Net |
| Property, plant and equipment | 94 | 38 | 56 | 91 | 33 | 58 |
| Leases | 3 | 0 | 3 | 2 | 0 | 2 |
| Investment property | 1 | 2 | -1 | 1 | 1 | 0 |
| Inventory | 25 | - | 25 | 25 | 1 | 24 |
| Trade receivables | 26 | 0 | 26 | 36 | 0 | 36 |
| Provisions for pensions | 50 | 28 | 22 | 63 | 11 | 52 |
| Other provisions | 44 | 0 | 44 | 42 | 1 | 41 |
| Tax allocation reserve | - | 7 | -7 | - | 19 | -19 |
| Other | 48 | 26 | 22 | 36 | 4 | 32 |
| Uncapitalised deferred temporary tax assets on above | -72 | - | -72 | -58 | - | -58 |
| Tax loss carryforwards | 3 | - | 3 | 17 | - | 17 |
| | 222 | 101 | 121 | 255 | 70 | 185 |
| Offsetting | -27 | -27 | 0 | -32 | -32 | 0 |
| | 195 | 74 | 121 | 223 | 38 | 185 |

Changes in deferred tax on temporary differences and loss carryforwards

| | 2021 | | | | Balance, 31 December |
|--|--------------------|--|-------------------|-----------------------------|----------------------|
| | Balance, 1 January | Recognised in profit/loss for the year | Recognised in OCI | Exchange differences in OCI | |
| Property, plant and equipment | 58 | -3 | - | 1 | 56 |
| Leases | 2 | 0 | - | 1 | 3 |
| Investment property | 0 | -1 | - | 0 | -1 |
| Inventory | 24 | -1 | - | 2 | 25 |
| Trade receivables | 36 | -11 | - | 1 | 26 |
| Provisions for pensions | 52 | -4 | -26 | 0 | 22 |
| Other provisions | 41 | 1 | - | 2 | 44 |
| Tax allocation reserve | -19 | 12 | - | - | -7 |
| Other | 32 | -13 | - | 3 | 22 |
| Uncapitalised deferred temporary tax assets on above | -58 | -4 | -3 | -7 | -72 |
| Tax loss carryforwards | 17 | -14 | - | 0 | 3 |
| | 185 | -38 | -29 | 3 | 121 |

PARENT COMPANY

Tax expense recognised

| | 2021 | 2020 |
|---|------|------|
| Current tax expense (-)/tax income (+) | | |
| Tax expense/tax income for the period | 0 | 0 |
| Adjustment of tax relating to prior years | 0 | 0 |
| | 0 | 0 |
| Deferred tax expense (-)/tax income (+) | | |
| Deferred tax on temporary differences | 0 | 1 |
| | 0 | 1 |
| | 0 | 1 |

Reconciliation of effective tax

| | 2021 | 2020 |
|---|--------|--------|
| Profit/loss before tax | 159 | 365 |
| Tax according to Parent's applicable tax rate | 20,6% | 21,4% |
| Dividends, non-taxable | -25,8% | -20,5% |
| Capital gains | -1,3% | -1,6% |
| Capital losses | 6,3% | - |
| Other non-deductible expenses | 0,6% | 0,4% |
| Non-taxable income | -0,4% | - |
| | 0,0% | -0,3% |
| | 0 | 1 |

Recognised deferred tax assets and liabilities

| | Deferred tax assets | | Deferred tax liabilities | | Net | |
|-----------|---------------------|------|--------------------------|------|------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Pensions | 4 | 4 | - | - | 4 | 4 |
| Buildings | 7 | 7 | - | - | 7 | 7 |
| | 11 | 11 | - | - | 11 | 11 |

Changes in deferred tax on temporary differences and loss carryforwards

| | 2021 | | | 2020 | | |
|-----------|--------------------|---|----------------------|--------------------|---|----------------------|
| | Balance, 1 January | Recognised in profit//loss for the year | Balance, 31 December | Balance, 1 January | Recognised in profit//loss for the year | Balance, 31 December |
| Pensions | 4 | 0 | 4 | 3 | 1 | 4 |
| Buildings | 7 | - | 7 | 7 | - | 7 |
| | 11 | 0 | 11 | 10 | 1 | 11 |

■ Note 11 Intangible assets

GROUP

Other technology and contract-based assets are mainly related to IT-based ERP systems. All intangible assets, apart from goodwill and trademarks, are amortised. For information on amortisation, see Accounting policies, note 1.

| | Other technology/ contract-based assets | Trademarks | Goodwill | Current investments | Total |
|--|--|------------|------------|------------------------|-------------|
| Accumulated cost | | | | | |
| Opening balance, 1 Jan 2020 | 333 | 94 | 529 | 17 | 973 |
| Other investments | 14 | - | - | 2 | 16 |
| Disposals | -1 | - | - | - | -1 |
| Exchange differences for the year | -15 | -10 | -46 | -1 | -72 |
| Closing balance, 31 Dec 2020 | 331 | 84 | 483 | 18 | 916 |
| Accumulated amortisation and impairment | | | | | |
| Opening balance, 1 Jan 2020 | -222 | - | -54 | - | -276 |
| Amortisation for the year | -25 | - | - | - | -25 |
| Disposals for the year | 1 | - | - | - | 1 |
| Exchange differences for the year | 13 | - | 3 | - | 16 |
| Closing balance, 31 Dec 2020 | -233 | - | -51 | - | -284 |
| Carrying amounts | | | | | |
| 1 Jan 2020 | 111 | 94 | 475 | 17 | 697 |
| 31 Dec 2020 | 98 | 84 | 432 | 18 | 632 |
| Accumulated cost | | | | | |
| Opening balance, 1 Jan 2021 | 331 | 84 | 483 | 18 | 916 |
| Internal development | - | - | - | 1 | 1 |
| Purchases | 15 | - | - | 0 | 15 |
| Disposals | -26 | 0 | -1 | 0 | -27 |
| Reclassification | 9 | - | - | -5 | 4 |
| Exchange differences for the year | 14 | 7 | 45 | 1 | 67 |
| Closing balance, 31 Dec 2021 | 343 | 91 | 527 | 15 | 976 |
| Accumulated amortisation and impairment | | | | | |
| Opening balance, 1 Jan 2021 | -233 | - | -51 | - | -284 |
| Amortisation for the year | -25 | - | - | - | -25 |
| Disposals for the year | 26 | - | 1 | - | 27 |
| Exchange differences for the year | -12 | - | -3 | - | -15 |
| Closing balance, 31 Dec 2021 | -244 | - | -53 | - | -297 |
| Carrying amounts | | | | | |
| 1 Jan 2021 | 98 | 84 | 432 | 18 | 632 |
| 31 Dec 2021 | 99 | 91 | 474 | 15 | 679 |

Amortisation is reported on the following lines in the income statement

| | 2021 | 2020 |
|-----------------------------------|------|------|
| Cost of sales | 0 | 0 |
| Selling costs | -1 | 0 |
| Administrative expenses | -24 | -25 |
| Research and development expenses | 0 | 0 |
| | -25 | -25 |

Impairment testing for assets with an indefinite useful life**Goodwill**

Consolidated goodwill consists of the strategic business value arising from the acquisition of businesses and assets. The carrying amount is exclusively attributable to Colart.

The recoverable amount of the cash-generating unit is based on its value in use. A post-tax discount rate of 6.6 (8.1) percent has been used to calculate the value in use. The lower discount rate is mainly due to a lower company-specific risk premium compared with the previous year. The estimates used for the value-in-use calculation are based on management's cash flow projections for a period of three years. Cash flow for the subsequent years are extrapolated using an assumed annual rate of 2 percent. Growth is based on historical growth, estimated market trends and expected price development. These assumptions are consistent with historical experience and external information sources.

Impairment testing showed a value-in-use that exceeded the carrying amount by 36 (64) percent. It is the Company management's assessment that no reasonable changes to key variables will result in impairment.

Trademarks

Trademarks classified as having an indefinite useful life are attributable to acquisitions within Colart. The assessment that the trademarks have an indefinite useful life is based on their strong establishment and the Group's intention to retain and further develop them. The trademarks are considered to have considerable economic significance as they signal quality, tradition and innovation. It is therefore considered that these trademarks affect pricing and competitiveness of the products.

The assessment is that cash flows attributable to trademarks cannot be distinguished from other cash flows. Impairment testing for both goodwill and trademarks is therefore conducted jointly by calculating the recoverable amount for the cash-generating units to which goodwill and trademarks are allocated.

PARENT COMPANY

Intangible assets acquired
Other technology/contract-based
assets

| | | Total |
|--|----|-------|
| Accumulated cost | | |
| Opening balance, 1 Jan 2020 | 4 | 4 |
| Closing balance, 31 Dec 2020 | 4 | 4 |
| Accumulated amortisation and impairment | | |
| Opening balance, 1 Jan 2020 | -4 | -4 |
| Closing balance, 31 Dec 2020 | -4 | -4 |
| Carrying amounts | | |
| 1 Jan 2020 | 0 | 0 |
| 31 Dec 2020 | 0 | 0 |
| Accumulated cost | | |
| Opening balance, 1 Jan 2021 | 4 | 4 |
| Closing balance, 31 Dec 2021 | 4 | 4 |
| Accumulated amortisation and impairment | | |
| Opening balance, 1 Jan 2021 | -4 | -4 |
| Closing balance, 31 Dec 2021 | -4 | -4 |
| Carrying amounts | | |
| 1 Jan 2021 | 0 | 0 |
| 31 Dec 2021 | 0 | 0 |

■ Note 12 Property, plant & equipment

GROUP

Reconciliation of opening and closing balances

| | Land and buildings | Plant and machinery | Equipment, tools and fixtures & fittings | Construction in progress | Total |
|--|--------------------|---------------------|--|--------------------------|---------------|
| Accumulated cost | | | | | |
| Opening balance, 1 Jan 2020 | 1 795 | 1 502 | 441 | 57 | 3 795 |
| Other investments | 16 | 48 | 13 | 51 | 128 |
| Business combinations | - | 1 | - | - | 1 |
| Disposals | - | -31 | -7 | -1 | -39 |
| Reclassifications | 2 | 9 | 12 | -29 | -6 |
| Exchange differences for the year | -75 | -88 | -26 | -4 | -193 |
| Closing balance, 31 Dec 2020 | 1 738 | 1 441 | 433 | 74 | 3 686 |
| Accumulated depreciation and impairment | | | | | |
| Opening balance, 1 Jan 2020 | -945 | -1 114 | -299 | - | -2 358 |
| Disposals | 1 | 24 | 6 | - | 31 |
| Impairment and reversal of impairment for the year | 10 | 0 | 0 | - | 10 |
| Depreciation for the year | -61 | -74 | -27 | - | -162 |
| Reclassifications | 1 | 0 | 0 | - | 1 |
| Exchange differences for the year | 32 | 60 | 16 | - | 108 |
| Closing balance, 31 Dec 2020 | -962 | -1 104 | -304 | - | -2 370 |
| Carrying amounts | | | | | |
| 1 Jan 2020 | 850 | 388 | 142 | 57 | 1 437 |
| 31 Dec 2020 | 776 | 337 | 129 | 74 | 1 316 |
| Accumulated cost | | | | | |
| Opening balance, 1 Jan 2021 | 1 738 | 1 441 | 433 | 74 | 3 686 |
| Other investments | 38 | 49 | 29 | 99 | 215 |
| Disposals | -32 | -42 | -27 | -8 | -109 |
| Loss of control in subsidiary | - | -4 | -2 | - | -6 |
| Reclassifications | 30 | 29 | 8 | -71 | -4 |
| Exchange differences for the year | 54 | 59 | 17 | 3 | 133 |
| Closing balance, 31 Dec 2021 | 1 828 | 1 532 | 458 | 97 | 3 915 |
| Accumulated depreciation and impairment | | | | | |
| Opening balance, 1 Jan 2021 | -962 | -1 104 | -304 | - | -2 370 |
| Disposals | 31 | 44 | 27 | - | 102 |
| Impairment and reversal of impairment for the year | 7 | - | - | - | 7 |
| Depreciation for the year | -60 | -72 | -31 | - | -163 |
| Loss of control in subsidiary | - | 3 | 2 | - | 5 |
| Reclassifications | 1 | 0 | -1 | - | 0 |
| Exchange differences for the year | -26 | -42 | -11 | - | -79 |
| Closing balance, 31 Dec 2021 | -1 009 | -1 171 | -318 | - | -2 498 |
| Carrying amounts | | | | | |
| 1 Jan 2021 | 776 | 337 | 129 | 74 | 1 316 |
| 31 Dec 2021 | 819 | 361 | 140 | 97 | 1 417 |

Depreciation is reported on the following lines in the income statement

| | 2021 | 2020 |
|-----------------------------------|-------------|-------------|
| Cost of sales | -131 | -131 |
| Selling costs | -2 | -3 |
| Administrative expenses | -23 | -21 |
| Research and development expenses | -7 | -7 |
| | -163 | -162 |

Impairment is reported on the following lines in the income statement

| | 2021 | 2020 |
|-------------------------------------|----------|-----------|
| Cost of sales (impairment reversal) | 10 | 10 |
| Administrative expenses | -3 | 0 |
| | 7 | 10 |

PARENT COMPANY**Reconciliation of opening and closing balances**

| | Land and buildings | Equipment, tools and fixtures & fittings | Construction in progress | Total |
|---------------------------------|--------------------|--|--------------------------|-------|
| <i>Accumulated cost</i> | | | | |
| Opening balance, 1 Jan 2020 | 164 | 27 | - | 191 |
| Investments for the year | - | 1 | - | 1 |
| Closing balance, 31 Dec 2020 | 164 | 28 | - | 192 |
| <i>Accumulated depreciation</i> | | | | |
| Opening balance, 1 Jan 2020 | -26 | -11 | - | -37 |
| Depreciation for the year | -4 | -2 | - | -6 |
| Closing balance, 31 Dec 2020 | -30 | -13 | - | -43 |
| <i>Accumulated impairment</i> | | | | |
| Opening balance, 1 Jan 2020 | -33 | - | - | -33 |
| Closing balance, 31 Dec 2020 | -33 | - | - | -33 |
| Carrying amounts | | | | |
| 1 Jan 2020 | 105 | 16 | 0 | 121 |
| 31 Dec 2020 | 101 | 15 | 0 | 116 |
| <i>Accumulated cost</i> | | | | |
| Opening balance, 1 Jan 2021 | 164 | 28 | - | 192 |
| Investments for the year | - | 0 | - | 0 |
| Disposals | - | -1 | - | -1 |
| Closing balance, 31 Dec 2021 | 164 | 27 | - | 191 |
| <i>Accumulated depreciation</i> | | | | |
| Opening balance, 1 Jan 2021 | -30 | -13 | - | -43 |
| Disposals | - | 1 | - | 1 |
| Depreciation for the year | -4 | -1 | - | -5 |
| Closing balance, 31 Dec 2021 | -34 | -13 | - | -47 |
| <i>Accumulated impairment</i> | | | | |
| Opening balance, 1 Jan 2021 | -33 | - | - | -33 |
| Closing balance, 31 Dec 2021 | -33 | - | - | -33 |
| Carrying amounts | | | | |
| 1 Jan 2021 | 101 | 15 | 0 | 116 |
| 31 Jan 2021 | 97 | 14 | 0 | 111 |

Depreciation is reported on the following lines in the income statement

| | 2021 | 2020 |
|-------------------------|------|------|
| Administrative expenses | -5 | -6 |
| | -5 | -6 |

Note 13 Investment property**GROUP**

Investment property is accounted for using the fair value method. Realised and unrealised fair value changes are recognised in other operating income.

Leases

Investment properties consist of a number of rental properties leased to external tenants. Leases are normally established with an initial rental period of three to five years. Prior to expiry of the lease term, rent levels and other contractual terms are renegotiated with the tenant, unless the lease has been terminated.

Fair value measurement

The fair value of investment properties is based on market valuations. Every three years, these valuations are carried out by independent external valuers with relevant professional qualifications and experience in this area and in the category of the properties being valued. In the other years, an internal assessment of the market value is made. Market value refers to the most probable price in the case of a normal sale on the open market.

Valuation techniques

The market value assessment is conducted using a combination of two methods – the location method and the return method. An overall assessment of the market value is made based on the results of these two methods.

The location method

With the location method, the valuation object is compared with properties with similar characteristics that have been sold. Changes in value between the acquisition date and the valuation date are taken into account. The purchase prices are compared directly and standardised in relation to one or more value-bearing characteristics.

The return method

With the return method, the cash flows and the residual value that the property holding is expected to generate are calculated at the present value using a discount rate based on the return that may be derived from the location method. The actual value factors that are available, such as rents, operating and maintenance costs, are used to the extent that they can be considered to reflect market levels. When actual data on the valuation object's cash flows is not available or does not reflect the market's expectations, the estimate is based instead on the values that would be considered normal for the relevant valuation object with regard to the current market situation and market projections.

The return method is based on a present value calculation of future actual cash flows in the form of net operating income, which is gradually adjusted to market conditions over ten years and the present value of the estimated residual value at the end of year ten.

Fair value hierarchy and observable inputs

The fair value measurement of investment property has been categorised as level 3 in the fair value hierarchy, as unobservable inputs used in the valuation have a significant impact on the assessed value.

Reconciliation of opening and closing balances

| | Sweden Offices, restaurant, exhibition | UK Offices, warehouses, production | Total |
|--|---|---|-----------|
| 2020 | | | |
| Fair value at beginning of year | 35 | 20 | 55 |
| Changes in fair value through profit or loss, realised | - | 2 | 2 |
| Exchange differences | - | -2 | -2 |
| Fair value at end of year | 35 | 20 | 55 |
| 2021 | | | |
| Fair value at beginning of year | 35 | 20 | 55 |
| Changes in fair value through profit or loss, unrealised | 0 | 2 | 2 |
| Exchange differences | - | 2 | 2 |
| Fair value at end of year | 35 | 24 | 59 |

Effects on profit/loss for the period other than changes in value

| | 2021 | 2020 |
|---|------|------|
| Rental income | 3 | 3 |
| Direct expenses* for investment property generating rental income | -2 | -3 |
| | 1 | 0 |

*) operating & maintenance costs and property tax

PARENT COMPANY

Investment property is accounted for using the cost method.

Reconciliation of opening and closing balances

| | 2021 | 2020 |
|-------------------------------------|------|------|
| Accumulated cost | | |
| At beginning of year | 56 | 56 |
| Closing balance, 31 December | 56 | 56 |
| Accumulated depreciation | | |
| At beginning of year | -14 | -14 |
| Scheduled depreciation for the year | -1 | 0 |
| Closing balance, 31 December | -15 | -14 |
| Accumulated impairment | | |
| At beginning of year | -33 | -33 |
| Closing balance, 31 December | -33 | -33 |
| Carrying amount at end of year | 8 | 9 |

Fair value of investment property

| | 2021 | 2020 |
|-----------------------------------|------|------|
| At beginning of year | 35 | 35 |
| Change in fair value for the year | 0 | - |
| At end of year | 35 | 35 |

The effect of investment property on profit/loss for the period

| | 2021 | 2020 |
|---|------|------|
| Rental income | 1 | 1 |
| Direct expenses* for investment property generating rental income during the period | -2 | -3 |
| | -1 | -2 |

*) operating & maintenance costs and property tax

■ Note 14 Investments in joint ventures**GROUP**

The Group has a holding (50 percent) in the joint venture company Höganäs Holding AB, the world's leading manufacturer of iron and metal powders.

As of 31 December 2021, control of Bonny Colart Co Ltd, Japan, is lost. The ownership remains unchanged at 50%.

Investments in joint ventures

| | 2021 | 2020 |
|--|-------|-------|
| Carrying amount at beginning of year | 3 729 | 3 704 |
| Loss of control in subsidiary | 0 | - |
| Share of joint ventures' profit/loss after tax | 367 | 135 |
| Share of OCI of joint ventures | 221 | -110 |
| | 4 317 | 3 729 |

The following is summarised financial information for Höganäs Holding Group.

Income statement, condensed

| | 2021 | 2020 |
|--|--------------|------------|
| Net sales | 10 527 | 8 645 |
| Operating profit/loss | 1 091 | 669 |
| Net financial items | -119 | -164 |
| Tax | -225 | -205 |
| Profit/loss for the year | 747 | 300 |
| Other comprehensive income | 443 | -220 |
| Comprehensive income for the year | 1 190 | 80 |

Balance sheet, condensed

| | 2021 | 2020 |
|-------------------------------------|---------------|---------------|
| Goodwill | 6 216 | 6 196 |
| Other intangible assets | 1 726 | 1 941 |
| Property, plant and equipment | 3 658 | 3 763 |
| Financial assets | 509 | 445 |
| Cash and bank balances | 212 | 263 |
| Other current assets | 5 390 | 3 910 |
| Total assets | 17 711 | 16 518 |
| Equity | 10 476 | 9 886 |
| Interest-bearing liabilities | 4 393 | 4 297 |
| Other liabilities | 2 842 | 2 335 |
| Total equity and liabilities | 17 711 | 16 518 |

■ Note 15 Parent Company's investments in associates and jointly controlled entities

Reconciliation of opening and closing balances

| | 2021 | 2020 |
|--------------------------------|-------|-------|
| <i>Accumulated cost</i> | | |
| At beginning of year | 3 484 | 3 484 |
| At end of year | 3 484 | 3 484 |
| Carrying amount at end of year | 3 484 | 3 484 |

Specification of Parent Company's (co-owner's) direct holdings of shares in joint ventures

| Company | Reg. no. | Registered | 2021 | | | 2020 | | |
|--------------------|-------------|------------|------------------|----------------------------|-----------------|------------------|----------------------------|-----------------|
| | | | Number of shares | Share of votes and capital | Carrying amount | Number of shares | Share of votes and capital | Carrying amount |
| Höganäs Holding AB | 556915-6655 | Höganäs | 10 000 000 | 50,0% | 3 484 | 10 000 000 | 50,0% | 3 484 |
| | | | | | 3 484 | | | 3 484 |

■ Note 16 Financial investments

GROUP

Financial investments that are non-current assets

| | 2021 | 2020 |
|---|------|------|
| <i>Measured at fair value through profit or loss:</i> | | |
| Share in unlisted UCITS fund | 30 | 34 |
| Shares and participating interests | 4 | 14 |
| | 34 | 48 |

■ Note 17 Interests in other companies

PARENT COMPANY

Interests in other companies relate to unlisted shares.

Reconciliation of opening and closing balances

| | 2021 | 2020 |
|------------------------------|------|------|
| At beginning of year | 47 | 41 |
| Purchases | 1 | 2 |
| Disposals | -10 | -1 |
| Dividends received | -17 | -11 |
| Changes in value | 12 | 16 |
| Closing balance, 31 December | 33 | 47 |

■ Note 18 Non-current and current receivables

Non-current receivables that are non-current assets

| | 2021 | 2020 |
|---------------------|------|------|
| Endowment insurance | 9 | 11 |
| Deposits | 8 | 8 |
| Other receivables | 11 | 9 |
| | 28 | 28 |

GROUP**Other receivables that are current assets**

| | 2021 | 2020 |
|--|------|------|
| VAT receivables | 133 | 127 |
| Interest-bearing receivables | 14 | 5 |
| Advances from suppliers | 12 | 19 |
| Other taxes (not VAT and income tax) | 10 | 10 |
| Derivatives held for financial hedging | 6 | 23 |
| Insurance receivables | 0 | 1 |
| Other receivables | 15 | 26 |
| | 190 | 211 |

PARENT COMPANY**Non-current receivables that are non-current assets**

| | 2021 | 2020 |
|---------------------|------|------|
| Endowment insurance | 8 | 8 |
| Other receivables | 4 | 4 |
| | 12 | 12 |

Reconciliation of opening and closing balances of non-current receivables

| | 2021 | 2020 |
|---------------------------------|------|------|
| Accumulated cost | | |
| At beginning of year | 12 | 12 |
| Settled | - | 0 |
| Closing balance, 31 December | 12 | 12 |
| Accumulated revaluations | | |
| At beginning of year | 1 | 0 |
| Revaluations for the year | 0 | 1 |
| Closing balance, 31 December | 1 | 1 |
| Accumulated impairment | | |
| At beginning of year | -1 | 0 |
| Impairment for the year | 0 | -1 |
| Closing balance, 31 December | -1 | -1 |
| Carrying amount at end of year | 12 | 12 |

■ Note 19 Inventories**GROUP****Inventories by category**

| | 2021 | 2020 |
|--------------------------------|-------|-------|
| Raw materials and consumables | 646 | 433 |
| Products in progress | 324 | 249 |
| Finished goods and merchandise | 601 | 423 |
| | 1 571 | 1 105 |

Impairment of inventories

| | 2021 | 2020 |
|--|------|------|
| Opening balance | 173 | 203 |
| Reversal of previous impairment utilised during the year | -37 | -52 |
| Write-off of previously recognised impairment not utilised | -24 | -29 |
| Loss of control in subsidiary | -1 | - |
| Business combinations | - | 5 |
| Impairment for the year | 56 | 60 |
| Exchange differences for the year | 10 | -14 |
| Closing balance | 177 | 173 |

Impairment for the year and write-offs of previously recognised impairment not utilised are reported in the income statement under Cost of sales.

■ Note 20 Trade receivables**GROUP**

The Group's credit risk exposure is mainly affected by each customer's individual characteristics, but also by sector-related and country-specific factors. Information on the concentration of revenue is shown in note 2 Distribution of net sales. The Group has established a credit policy with overall guidelines on how credit to customers is granted and monitored. Each new customer credit arrangement is assessed and approved according to the authorisation rules. All customers have a fixed credit limit which is evaluated annually or when special events occur. There are established routines for regular monitoring of credit risk, collection procedures and invoicing of default interest. The aim of the credit policy is to optimise tied-up capital, credit risk and revenue.

The Group's credit exposure varies from Group company to Group company. Beckers has sales to a smaller number of customers than Colart and Moorbrook Textiles, but its average sales per customer are considerably higher. Colart and Moorbrook Textiles have sales to a number of larger customers, but also to a large number of smaller customers. The method for assessing expected credit losses therefore also differs.

Beckers conducts annual categorisations of customers based on external credit ratings. Based on this credit risk rating and a factor related to loss given default, a percentage is calculated that reflects the expected credit loss on trade receivables for which no specific allowance has been made. Colart and Moorbrook Textiles apply a loss provision matrix to calculate expected losses on trade receivables. The expected credit losses on trade receivables are estimated on the basis of historical information about previous credit losses, current circumstances and forecasts of future

financial conditions and the time value of the money if applicable. If specific events have occurred or other internal or external information is known, a specific assessment of credit losses is made.

Trade receivables and allowance for expected losses

| | 2021 | | | | 2020 | | | |
|--|--------------|------------|-----------|--------------|--------------|------------|-----------|--------------|
| | Beckers | Colart | Övriga | Totalt | Beckers | Colart | Övriga | Totalt |
| Colart and Other: | | | | | | | | |
| Not overdue | | 298 | 22 | 320 | | 264 | 13 | 277 |
| Past due 1-30 days | | 11 | 8 | 19 | | 12 | 7 | 19 |
| Past due 31-90 days | | 7 | 7 | 14 | | 9 | 1 | 10 |
| Past due >90 days | | 9 | 7 | 16 | | 6 | 3 | 9 |
| | | 325 | 44 | 369 | | 291 | 24 | 315 |
| Loss allowances | | -6 | -1 | -7 | | -6 | -1 | -7 |
| Carrying amount | | 319 | 43 | 362 | | 285 | 23 | 308 |
| Beckers: | | | | | | | | |
| Trade receivables, gross | 1 768 | | | 1 768 | 1 472 | | | 1 472 |
| General loss allowance as below | -30 | | | -30 | -27 | | | -27 |
| Specific reserves | -81 | | | -81 | -131 | | | -131 |
| Carrying amount | 1 657 | | | 1 657 | 1 314 | | | 1 314 |
| <i>Trade receivables, gross</i> | <i>1 768</i> | | | | <i>1 472</i> | | | |
| <i>Secured by bank guarantee insurance or similar</i> | <i>-184</i> | | | | <i>-114</i> | | | |
| <i>Specific risk</i> | <i>-81</i> | | | | <i>-131</i> | | | |
| <i>Exposed to risk</i> | <i>1 503</i> | | | | <i>1 227</i> | | | |
| <i>Percentage for calculation of general loss allowance based on credit rating</i> | <i>-2,0%</i> | | | | <i>2,2%</i> | | | |
| General loss allowance | -30 | | | | 27 | | | |
| Total: | | | | | | | | |
| Trade receivables | 1 768 | 325 | 44 | 2 137 | 1 472 | 291 | 24 | 1 787 |
| Loss allowances | -111 | -6 | -1 | -118 | -158 | -6 | -1 | -165 |
| Carrying amount | 1 657 | 319 | 43 | 2 019 | 1 314 | 285 | 23 | 1 622 |

Provision for doubtful debts

| | 2021 | 2020 |
|---|------------|------------|
| Opening balance | 165 | 105 |
| Reversal of impairment utilised | -10 | -20 |
| Write-off of impairment not utilised | -83 | -29 |
| Provisions for credit losses for the year | 40 | 119 |
| Loss of control in subsidiary | 0 | - |
| Exchange differences for the year | 6 | -10 |
| Closing balance | 118 | 165 |

Concentration of credit risk in trade receivables

| | 2021 | | | | 2020 | | | |
|---------------------------|---------------------|------------------------------|-------------------------------|----------------------------|---------------------|------------------------------|-------------------------------|----------------------------|
| | Number of customers | Share of number of customers | Outstanding trade receivables | Share of trade receivables | Number of customers | Share of number of customers | Outstanding trade receivables | Share of trade receivables |
| Exposure < 1 SEK million | 3 255 | 94% | 278 | 14% | 3 348 | 95% | 282 | 17% |
| Exposure 1-50 SEK million | 212 | 6% | 1 383 | 68% | 174 | 5% | 1 080 | 67% |
| Exposure > 50 SEK million | 6 | 0% | 358 | 18% | 4 | 0% | 260 | 16% |
| | 3 473 | 100% | 2 019 | 100% | 3 526 | 100% | 1 622 | 100% |

■ Note 21 Prepayments and accrued income**GROUP**

| | 2021 | 2020 |
|---------------------------------|------------|-----------|
| Prepaid merchandiser costs | 22 | 18 |
| Prepaid insurance premiums | 18 | 15 |
| Prepaid rents and leasing costs | 5 | 5 |
| Other prepayments | 32 | 30 |
| Accrued income | 26 | 4 |
| | 103 | 72 |

■ Note 22 Cash & cash equivalents**GROUP****Components of cash & cash equivalents**

| | 2021 | 2020 |
|------------------------|------------|------------|
| Cash and bank balances | 407 | 977 |
| | 407 | 977 |

■ Note 23 Equity**GROUP****Specification of the equity item 'reserves'**

| | 2021 | 2020 |
|--|------------|------------|
| Translation reserve | | |
| Opening balance | 206 | 519 |
| Translation differences for the year | 115 | -207 |
| Proportion of net change in reserves for associates and joint ventures | 169 | -106 |
| Closing balance | 490 | 206 |

Reserves**Translation reserve**

The translation reserve comprises all exchange differences arising on translation of foreign operations reported in a currency other than the Group's presentation currency. The Group's and the Parent Company's presentation currency is Swedish kronor.

Retained earnings including profit for the year

Retained earnings including profit/loss for the year includes accumulated net profits of the Parent Company and its subsidiaries. Previous transfers to the statutory reserve, apart from transferred share premium reserves, are included in this equity item.

Capital management

The Group strives to maintain a strong financial position, thereby helping to retain the confidence of lenders and other stakeholders, and providing a basis for continuing development of business operations. The Group defines managed capital as total recognised equity.

PARENT COMPANY

Number of shares

| | 2021 | 2020 |
|--------------------------------------|---------|---------|
| Issued number of shares, 1 January | 250 000 | 250 000 |
| Issued number of shares, 31 December | 250 000 | 250 000 |

Share capital by class

| Class | Votes at AGM | Par value | 2021 | 2020 |
|----------|--------------------|-----------|------|------|
| A shares | 10 votes per share | 100 kr | 2 | 2 |
| B shares | 1 vote per share | 100 kr | 23 | 23 |
| | | | 25 | 25 |

Holders of ordinary shares are entitled to a dividend that is determined retrospectively and the shareholding entitles the holder to voting rights at the AGM as described above. All shares are fully paid-up.

Restricted reserves

Restricted reserves may not be reduced by distribution of dividends.

Revaluation reserve

If the value of a tangible or financial asset is written up, the revaluation amount is transferred to a revaluation reserve.

Statutory reserve

The purpose of the statutory reserve is to save a proportion of the net profit, rather than using it to cover losses carried forward. The reserve also includes amounts transferred to the share premium reserve before 1 January 2006.

Unrestricted equity

Retained earnings and net income together constitute unrestricted equity, i.e. the amount that is available for distribution to shareholders.

Retained earnings

Retained earnings comprise the previous year's retained earnings and profit/loss less dividend distributions during the year.

Dividend

The Board will propose to the upcoming AGM on 27 April 2022 a dividend of SEK 50 million.

Dividend

| | 2021 | 2020 |
|--|------|------|
| <i>Proposed dividend at AGM the following year</i> | | |
| Total (SEK million) | 50 | - |
| Per share (SEK) | 200 | - |
| <i>Dividend recognised in the financial year</i> | | |
| Total (SEK million) | - | - |
| Per share (SEK) | - | - |

Note 24 Interest-bearing liabilities

GROUP

In 2018, Lindéngruppen AB's subsidiary AB Wilh. Becker entered into a financing agreement comprising a credit facility of SEK 1.5 billion. The loan is due for payment in 2023. The credit facilities are conditional on a special financial covenant based on the ratio between net debt and EBITDA. Both net debt and EBITDA are adjusted for lease effects. The Group fulfils this covenant. The agreement's reference rates LIBOR and LIBOR GBP have been replaced during the year by RFR and SONIA. RFR is a short (overnight) floating rate based on historical transactions, while SONIA is a short (overnight) floating rate for the average GBP. In 2020, AB Wilh. Becker renewed a loan of GBP 25.5 million, originally taken out in 2018. The term of the loan is two years. The loan is intended to be repaid in full upon maturity in 2022 as the remaining credit lines are considered sufficient. In 2020, a loan of EUR 17 million was also taken out in a Beckers subsidiary in France. This loan was repaid in full in 2021. In addition to the two large financing agreements, there are a number of other smaller loans in the Group with different maturities. See notes 29 and 30 regarding lease liabilities. See note 32 for pledged assets.

Non-current liabilities

| | 2021 | 2020 |
|----------------------|------|------|
| Loans | 43 | 346 |
| Overdraft facilities | 351 | 392 |
| | 394 | 738 |

Current liabilities

| | 2021 | 2020 |
|----------------------|------|------|
| Loans | 343 | 219 |
| Overdraft facilities | 21 | 51 |
| | 364 | 270 |

Interest-bearing liabilities

| | Currency | Nom. interest | Maturity | 2021 | | 2020 | |
|-----------------------------|----------|----------------|----------|---------------------------------|-----------------|---------------------------------|-----------------|
| | | | | Nominal value in local currency | Carrying amount | Nominal value in local currency | Carrying amount |
| Loan | GBP | Fixed | 2022 | 26 | 311 | 26 | 283 |
| Loan | EUR | Fixed | 2020 | - | - | 17 | 171 |
| Loans, other | - | Fixed | 2022 | - | 12 | - | - |
| Loans, other | - | Fixed | 2023 | - | 22 | - | 59 |
| Loans, other | - | Variable | 2022 | - | 20 | - | - |
| Loans, other | - | Variable | 2023 | - | 21 | - | 52 |
| Overdraft facility | SEK | Variable | 2023 | 320 | 308 | 305 | 305 |
| Overdraft facility | GBP | Variable | 2023 | 2 | 30 | 7 | 75 |
| Overdraft facility | USD | Variable | 2023 | 1 | 8 | 3 | 27 |
| Overdraft facilities, other | - | Variable/fixed | 2023 | - | 5 | - | - |
| Overdraft facilities, other | - | Variable/fixed | 2022 | - | 21 | - | 36 |
| | | | | 758 | | 1 008 | |

■ Note 25 Pensions

GROUP

Defined-benefit pension plans

The Group has defined-benefit plans in Sweden, the UK, France, Germany, Italy, the US and India. The majority relate to the pension obligation in Sweden and the UK. In Sweden, there is a PRI liability where pension benefits are earned, while no further benefits are earned in the UK. In 2013, the pension plan in the UK and Colart International Holdings Ltd made a joint investment in a Pension Funding Partnership (PFP) in the form of a Scottish Limited Partnership (SLP). The SLP used the investment to acquire the Winsor & Newton trademark from Colart. The SLP licenses the right to use the trademark to Colart on payment of a royalty based on the trademark's sales. The SLP pays interest to the pension plan annually up to and including 2033. If there is a deficit in the pension plan in 2033, this will be paid by the SLP (max. GBP 25 million).

Net obligation

| | 2021 | 2020 |
|--|--------------|--------------|
| Present value of unfunded obligation | 244 | 249 |
| Present value of fully or partly funded obligation | 2 605 | 2 495 |
| Total present value of defined-benefit obligation | 2 849 | 2 744 |
| Fair value of plan assets | -2 679 | -2 412 |
| Present value of net obligation | 170 | 332 |
| <i>The net amount is reported in the following balance sheet items</i> | | |
| Provisions for pensions | 170 | 332 |
| | 170 | 332 |

Changes in the present value of the defined-benefit obligation

| | 2021 | 2020 |
|---|--------------|--------------|
| Defined-benefit obligation, 1 January | 2 744 | 2 790 |
| Current service cost | 11 | 12 |
| Past service cost | -1 | - |
| Interest expense | 42 | 51 |
| Revaluations | | |
| Actuarial gains and losses on changed demographic assumptions | 8 | -12 |
| Actuarial gains and losses on changed financial assumptions | -18 | 298 |
| Experience adjustments | -83 | -15 |
| Benefits paid | -91 | -120 |
| Settlements | - | -14 |
| Exchange differences | 237 | -246 |
| Defined-benefit obligation, 31 December | 2 849 | 2 744 |

Changes in fair value of plan assets

| | 2021 | 2020 |
|--|--------------|--------------|
| Fair value of plan assets, 1 January | 2 412 | 2 504 |
| Interest income recognised in income statement | 38 | 48 |
| Employer contributions | 29 | 28 |
| Return on plan assets, excluding interest income | 44 | 181 |
| Benefits paid | -83 | -109 |
| Gain/loss on settlements | - | 0 |
| Exchange differences | 239 | -240 |
| Fair value of plan assets, 31 December | 2 679 | 2 412 |

Distribution of plan assets

| | 2021 | | 2020 | |
|-----------------------------|--------------|-------------|--------------|-------------|
| Debt-matching assets | 1 259 | 47% | 901 | 37% |
| Equity instruments | 105 | 4% | 95 | 4% |
| Hedge funds | 395 | 15% | 400 | 17% |
| Interest-bearing securities | 301 | 11% | 515 | 21% |
| Non-cash assets | 148 | 5% | 133 | 6% |
| Insurance policies | 294 | 11% | 333 | 14% |
| Other assets | 33 | 1% | 10 | 0% |
| Diversified growth fund | 98 | 4% | - | - |
| Cash and cash equivalents | 46 | 2% | 25 | 1% |
| | 2 679 | 100% | 2 412 | 100% |

Cost recognised in income statement

| | 2021 | 2020 |
|---|-----------|-----------|
| Current service cost | 11 | 12 |
| Past service cost | -1 | - |
| Interest expense on obligation | 42 | 51 |
| Interest income on plan assets | -38 | -48 |
| | 14 | 15 |
| <i>Costs are reported on the following lines in the income statement:</i> | | |
| Cost of sales | 3 | 4 |
| Selling costs | 2 | 2 |
| Administrative expenses | 3 | 4 |
| Research and development | 2 | 2 |
| Finance costs | 4 | 3 |
| | 14 | 15 |
| Actual return on plan assets | 82 | 0 |

Net cost recognised in OCI

| | 2021 | 2020 |
|--|-------------|-----------|
| Revaluations | | |
| Actuarial gains (-) and losses (+) | -93 | 271 |
| Difference between actual return and return at the discount rate for plan assets | -44 | -181 |
| Payroll tax | -1 | 1 |
| | -138 | 91 |

Assumptions for significant defined-benefit plans

| | 2021 | | 2020 | |
|---|--------|------|--------|------|
| | Sweden | UK | Sweden | UK |
| Discount rate, 31 December | 1,8% | 1,8% | 1,0% | 1,5% |
| Future salary increases | 2,6% | 3,6% | 2,0% | 3,2% |
| Future increase in pensions | 3,1% | 3,0% | 1,5% | 2,5% |
| Life expectancy at age 65 - retired members | | | | |
| Male | 22 | 22 | 22 | 22 |
| Female | 24 | 24 | 24 | 24 |

Life expectancy assumptions are based on published statistics and mortality.

Sensitivity analysis

| | | 2021 | | | |
|-----------------------------|--------|----------|-----------|----------|-----------|
| | | Sweden | | UK | |
| | | Increase | Reduction | Increase | Reduction |
| Discount rate | 0,5% | -17 | 19 | -191 | 213 |
| Future salary increases | 0,5% | 4 | -4 | - | - |
| Future increase in pensions | 0,5% | 16 | -14 | 139 | -129 |
| Life expectancy | 1 year | 9 | -9 | 96 | -96 |

The table above presents possible changes in actuarial assumptions at the reporting date, with other assumptions unchanged, and how these would affect the defined-benefit obligation.

Defined-contribution pension plans

The Group has defined-contribution pension plans for employees in Sweden, which are fully paid for by the companies. Defined-contribution plans in other countries are partly paid for by the subsidiaries and partly covered by contributions from employees.

Costs of defined-contribution plans

| | 2021 | 2020 |
|---|------|------|
| Pension costs, defined-contribution plans | 51 | 52 |

PARENT COMPANY

The Parent Company has defined-contribution pension plans, which are fully paid for by the Company.

Costs of defined-contribution plans

| | 2021 | 2020 |
|---|------|------|
| Pension costs, defined-contribution plans | 6 | 9 |

■ Note 26 Provisions**GROUP****Provisions that are non-current liabilities**

| | 2021 | 2020 |
|-----------------------|------------|------------|
| Personnel-related | 60 | 70 |
| Environment | 55 | 54 |
| Warranties and claims | 19 | 19 |
| Restructuring | - | 1 |
| Other | 10 | 3 |
| | 144 | 147 |

Provisions that are current liabilities

| | 2021 | 2020 |
|-----------------------|------------|------------|
| Warranties and claims | 97 | 90 |
| Environment | 17 | 23 |
| Personnel-related | 8 | 1 |
| Restructuring | 4 | 14 |
| Other | 10 | 12 |
| | 136 | 140 |

Reconciliation of opening and closing amounts

| | 2021 | 2020 |
|---|------------|------------|
| Warranties and claims | | |
| Carrying amount at start of period | 109 | 80 |
| Provisions recognised during the period | 18 | 53 |
| Amounts utilised during the period | -4 | -5 |
| Unused amounts reversed during the period | -13 | -12 |
| Exchange differences for the year | 6 | -7 |
| | 116 | 109 |
| Environment | | |
| Carrying amount at start of period | 77 | 83 |
| Provisions recognised during the period | - | 3 |
| Amounts utilised during the period | -6 | -7 |
| Unused amounts reversed during the period | - | -1 |
| Exchange differences for the year | 1 | -1 |
| | 72 | 77 |
| Personnel-related | | |
| Carrying amount at start of period | 71 | 107 |
| Provisions recognised during the period | 9 | 12 |
| Amounts utilised during the period | -10 | -6 |
| Unused amounts reversed during the period | 0 | -41 |
| Reclassifications | -2 | - |
| Exchange differences for the year | 0 | -1 |
| | 68 | 71 |
| Restructuring | | |
| Carrying amount at start of period | 15 | 25 |
| Provisions recognised during the period | 0 | 9 |
| Amounts utilised during the period | -10 | -19 |
| Unused amounts reversed during the period | -1 | 0 |
| Exchange differences for the year | 0 | 0 |
| | 4 | 15 |
| Other | | |
| Carrying amount at start of period | 15 | 11 |
| Provisions recognised during the period | 22 | 16 |
| Amounts utilised during the period | -18 | -5 |
| Unused amounts reversed during the period | -2 | -7 |
| Reclassifications | 2 | - |
| Exchange differences for the year | 1 | 0 |
| | 20 | 15 |
| Total | | |
| Carrying amount at start of period | 287 | 306 |
| Provisions recognised during the period | 49 | 93 |
| Amounts utilised during the period | -48 | -42 |
| Unused amounts reversed during the period | -16 | -61 |
| Exchange differences for the year | 8 | -9 |
| | 280 | 287 |

PARENT COMPANY**Other provisions**

| | 2021 | 2020 |
|-------------------|------|------|
| Personnel-related | 20 | 20 |
| | 20 | 20 |

Reconciliation of opening and closing amounts

| | 2021 | 2020 |
|---|------|------|
| <i>Personnel-related</i> | | |
| Carrying amount at start of period | 20 | 19 |
| Provisions recognised during the period | 1 | 2 |
| Amounts utilised during the period | -1 | -1 |
| | 20 | 20 |

■ Note 27 Other liabilities**GROUP****Other non-current liabilities**

| | 2021 | 2020 |
|-----------------------------|------|------|
| Government grant obligation | 28 | 25 |
| Other liabilities | 6 | 6 |
| | 34 | 31 |

Other current liabilities

| | 2021 | 2020 |
|--|------|------|
| Personnel-related liabilities | 91 | 80 |
| VAT liabilities | 81 | 104 |
| Tax, not income tax | 35 | 27 |
| Derivatives held for financial hedging | 13 | 8 |
| Other liabilities | 8 | 11 |
| | 228 | 230 |

■ Note 28 Accruals and deferred income**GROUP**

| | 2021 | 2020 |
|---|------|------|
| Accrued personnel expenses | 275 | 298 |
| Goods and services received, not invoiced | 144 | 112 |
| Accrued bonuses and customer discounts | 103 | 97 |
| Accrued holiday pay | 75 | 72 |
| Accrued audit, consulting fees etc. | 32 | 26 |
| Accrued pension premiums | 13 | 11 |
| Accrued interest expenses | 2 | 2 |
| Other accruals | 76 | 78 |
| Deferred income | 13 | 10 |
| | 733 | 706 |

PARENT COMPANY

| | 2021 | 2020 |
|--|------|------|
| Accrued personnel expenses | 49 | 43 |
| Accrued holiday pay | 6 | 5 |
| Accrued pension premiums incl. payroll tax | 1 | 2 |
| Accrued commitments to non-profit projects | - | 3 |
| Other accruals | 2 | 3 |
| | 58 | 56 |

■ Note 29 Financial risk management and financial instruments**Financial policy and financial risk management**

The financial policy and instructions for financial risk management have been produced by the Group's finance function at Lindéngruppen AB. The financial policy is part of The Lindéngruppen Way, a comprehensive document that clarifies the division of responsibility and working methods in the Group. The Lindéngruppen Way is updated before each calendar year and adopted by the Board. Based on The Lindéngruppen Way, the Group companies have in turn developed their own policies for financial risk management. Policies for the Group companies are more detailed and customised to their specific business conditions.

The Group's financial risks are mainly managed by the Group companies and their subsidiaries. However, financing is obtained as far as possible through the parent company AB Wilh. Becker, in order to obtain the best possible terms. Cash management, netting of internal group payments and currency trading are decentralised to the Group companies as they are best placed to optimise liquidity management.

The Board has identified the following risks as the most significant for the Group:

- Liquidity and funding risk
- Interest-rate risk
- Currency risk
- Credit risk

Liquidity and funding risk

Liquidity and funding risk is that the Group will not have access to the funding to discharge its contractual obligations, or that such funding can only be arranged at a significantly increased cost. Liquidity risk management involves forecasting the Group's future liquidity needs and ensuring access to long-term credit facilities that are sufficient for the Group's funding needs. Available credit facilities amounted to SEK 2,190 (2,333) million at the reporting date, SEK 749 (1,106) million

of which had been utilised. SEK 1,500 million of the credit expires in 2023. Another loan of GBP 25.5 million matures in 2022 and is intended to be repaid in full as the remaining credit lines are considered sufficient. These two loans, arranged in AB Wilh. Becker, are conditional on a special financial covenant based on the ratio between net debt and EBITDA. The Group fulfils this covenant by a good margin. In 2020, a loan of EUR 17 million was also taken out in one of Beckers' subsidiaries in France. This loan was repaid in full in 2021. In addition to these financing agreements, there are a number of other smaller loans in the Group with different maturities. See note 24 for a complete list of credit facilities and note 32 for pledged assets.

The table below shows the maturity structure of the Group's financial liabilities, including derivative liabilities. The due date for the principal amount and interest payment is shown for each period. Future interest payments for liabilities with variable interest rates are estimated based on the variable spot rate prevailing at the reporting date.

Contractual payments of principal and interest

| | 2021 | | | | | | 2020 | | | | | |
|--|--------------|-----------------|-----------------|------------|------------|------------|--------------|-----------------|-----------------|------------|-----------|------------|
| | Total | Jan-Jun 2022 | Jul-Dec 2022 | 2023 | 2024-2026 | After 2026 | Total | Jan-Jun 2021 | Jul-Dec 2021 | 2022 | 2023-2025 | After 2025 |
| Interest-bearing liabilities | | | | | | | | | | | | |
| Non-current interest-bearing liabilities | 44 | - | - | 44 | - | - | 348 | - | - | 348 | - | - |
| Current interest-bearing liabilities | 345 | 311 | 34 | - | - | - | 222 | 219 | 3 | - | - | - |
| Non-current lease liabilities (incl. interest) | 274 | - | - | 53 | 108 | 113 | 260 | - | - | 49 | 84 | 127 |
| Current lease liabilities (incl. interest) | 64 | 34 | 30 | - | - | - | 57 | 30 | 27 | - | - | - |
| Overdraft facilities | 372 | - | 21 | 351 | - | - | 443 | 29 | 22 | 392 | - | - |
| | 1 099 | 345 | 85 | 448 | 108 | 113 | 1 330 | 278 | 52 | 789 | 84 | 127 |
| Interest (excl. leases) | 11 | 6 | 2 | 2 | 1 | - | 21 | 7 | 6 | 7 | 1 | 0 |
| Non-interest-bearing liabilities | | | | | | | | | | | | |
| Other non-current liabilities | - | - | - | - | - | - | 6 | - | - | 6 | - | - |
| Trade payables | 1 330 | 1 330 | - | - | - | - | 891 | 891 | - | - | - | - |
| Other current liabilities | 13 | 7 | 4 | - | - | - | 8 | 6 | 2 | - | - | - |
| Of which currency derivatives | 11 | 7 | 4 | - | - | - | 8 | 6 | 2 | - | - | - |
| Accrued interest | 2 | 2 | - | - | - | - | 2 | 2 | - | 0 | - | - |
| | 1 345 | 1 339 | 4 | - | - | - | 907 | 899 | 2 | 6 | 0 | 0 |
| | 2 455 | 1 690 | 91 | 450 | 109 | 113 | 2 258 | 1 184 | 60 | 802 | 85 | 127 |

Interest-rate risk

Interest-rate risk is the risk that a change in market interest rates will have an adverse effect on earnings. Approximately half of the interest-bearing liabilities carry variable interest rates (see note 24) and the remainder carry fixed interest rates. The Group may use interest rate swaps and interest rate caps to manage interest-rate risk. In view of the Group's relatively low level of interest-bearing debt, variable interest-rate risk has not been hedged. A simultaneous increase of 100 basis points for all relevant market interest rates would increase the Group's annual interest expenses by SEK 4 (5) million. The calculation is based on the amount of interest-bearing debt at the reporting date.

Interest rate risk associated with lease liabilities is low as the payments for large leases are not adjusted in the event of changes in interest rates. However, new and remeasured leases are affected by the interest rate implicit in the lease or the incremental borrowing rate.

The Group's net interest-bearing debt (interest-bearing liabilities, lease liabilities and provisions for pensions less interest-bearing assets and cash & cash equivalents) amounted to SEK 794 (598) million.

Currency risk

Exposure to currency risk can be divided into transaction exposure and translation exposure.

Transaction exposure

Transaction exposure is the risk of an adverse effect on the Group's earnings due to changes in exchange rates that affect the value of a foreign currency commercial transaction relative to the functional currency of the Group entity conducting the transaction. The Group's transaction exposure is primarily managed through price adjustment, and then through natural hedges, i.e. matching of inflows and outflows in the same currency. The remaining exposure may be hedged through forward currency contracts if justified from a commercial and administrative perspective. The individual Group companies are responsible for transaction exposure based on the principles set out above.

The Group does not apply hedge accounting. All changes in the fair value of forward currency contracts are therefore recognised directly in the income statement for the period in which they arise. Net gains (+) and net losses (-) on forward currency contracts during the financial year were SEK -23 (-7) million.

The table below shows currency hedges at the reporting date.

Currency hedges

| Currency purchased | Currency sold | 2021-12-31 | | 2020-12-31 | |
|--------------------|---------------|------------------------------|--------------|------------------------------|--------------|
| | | Nominal amount, SEK millions | Forward rate | Nominal amount, SEK millions | Forward rate |
| SEK | GBP | 303 | 12,02 | 276 | 11,35 |
| SEK | EUR | 263 | 10,18 | 242 | 10,44 |
| SEK | USD | 226 | 8,83 | 201 | 8,46 |
| EUR | SEK | 202 | 0,10 | 298 | 0,10 |
| CNY | EUR | 72 | 7,88 | 66 | 8,09 |
| EUR | CNY | 12 | 0,12 | - | - |
| Other | | 6 | - | 65 | - |
| | | 1 084 | | 1 148 | |

Translation exposure

The Group does not hedge translation exposure related to net investments (equity) or net earnings in foreign subsidiaries.

Internal loans or receivables are matched with internal or external loans in the same currency to minimise currency effects on translation to Swedish kronor. The remaining hedging may be conducted through forward currency contracts. On the reporting date, all long-term lending from AB Wilh. Becker to Group companies was hedged through loans or forward cover.

Bank deposits in foreign currency are minimised or matched against payments in the near future or instalments.

Sensitivity analysis for currency risk

The Group has exposure to currency risk mainly in the following currencies (relative to SEK): EUR, GBP, USD and CNY. The table below shows the effects on the income statement and equity of an increase of 10 percent in the value of these currencies against SEK. The sensitivity analysis includes the effects of the translation of the balance sheets and income statements of foreign subsidiaries, and gains and losses on financial assets and liabilities in foreign currencies at the reporting date (taking into account currency hedges), but not the effects of the forecast transaction exposure. The sensitivity analysis assumes that all other variables remain unchanged.

Sensitivity analysis for currency risk

| Currency | Change vs. SEK | Effect on equity | | Effect on earnings | |
|----------|----------------|------------------|------|--------------------|------|
| | | 2021 | 2020 | 2021 | 2020 |
| EUR | +10 % | +70 | +83 | +12 | +15 |
| CNY | +10 % | +37 | +32 | 0 | +1 |
| GBP | +10 % | +31 | +22 | -3 | -3 |
| USD | +10 % | +22 | +18 | +2 | +2 |

Credit risk**Commercial credit risk**

Commercial credit risk is the risk of losses if any of the Group's customers become insolvent and unable to discharge their commitments. Credit risk is managed locally at each business unit through internal procedures and controls for the evaluation of credit ratings. The year's allowance for expected losses on trade receivables amounted to SEK 40 (119) million. See also note 20 Trade receivables.

Financial credit risk

The Group's exposure to financial credit risk consists primarily of bank deposits. Financial credit risk is the risk of losses if a contractual counterparty of the Group becomes insolvent and an investment and/or unrealised gain cannot therefore be repaid. According to the Group's financial policy, financial counterparties must have a minimum credit rating of A- (S&P) or the equivalent. 99.3 (99.4) percent of bank deposits were with banks that fulfil the policy. For derivative transactions, the Group has entered into an ISDA agreement that allows netting of derivative assets and liabilities in the event of default by any of the parties. The table below shows how the Group's derivative assets would have been netted against derivative liabilities if the conditions for set-off under ISDA agreements had been met by the reporting date.

Net amount after netting under ISDA agreements

| | 2021 | | 2020 | |
|--------------------|-------------------|------------------------|-------------------|------------------------|
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| Amount recognised | 6 | 13 | 23 | 8 |
| Netting under ISDA | -2 | -2 | -7 | -7 |
| | 4 | 11 | 16 | 1 |

Fair value of financial assets and liabilities

The fair value of the fixed-interest loans (see note 24) exceeds their carrying amount by SEK 2 million. Interest rate changes for loans with variable interest rates do not have any significant effect on the fair value of the liabilities. There has also been no change in credit margins during the period which according to the Company's assessment would significantly affect the fair value. All trade receivables and payables are short-term in nature, which means that their carrying amounts are also considered reasonable approximations of their fair value. The carrying amounts of financial assets

and financial liabilities are considered to be reasonable estimates of the fair value of each class of financial assets and financial liabilities.

Carrying amount of financial assets by measurement category

| | Financial assets at fair value through profit or loss | | Financial assets at amortised cost | |
|--|---|-----------|------------------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Financial assets measured at fair value | | | | |
| Other securities held as non-current assets | 34 | 48 | - | - |
| Other current receivables | 6 | 23 | - | - |
| Of which currency derivatives | 6 | 23 | - | - |
| Financial assets not measured at fair value | | | | |
| Other non-current receivables | - | - | 28 | 28 |
| Other current receivables | - | - | 14 | 6 |
| Trade receivables | - | - | 2 019 | 1 622 |
| Accrued income | - | - | 26 | 4 |
| Cash and bank balances | - | - | 407 | 977 |
| Total financial assets | 40 | 71 | 2 494 | 2 637 |

Carrying amount of financial liabilities by measurement category

| | Financial liabilities at fair value through profit or loss | | Financial liabilities at amortised cost | |
|---|--|----------|---|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Financial liabilities measured at fair value | | | | |
| Other current liabilities | 13 | 8 | - | - |
| Of which currency derivatives | 13 | 8 | - | - |
| Financial liabilities not measured at fair value | | | | |
| Non-current liabilities to credit institutions | - | - | 394 | 738 |
| Other non-current liabilities | - | - | - | 6 |
| Current liabilities to credit institutions | - | - | 364 | 270 |
| Trade payables | - | - | 1 330 | 891 |
| Accrued expenses | - | - | 2 | 2 |
| Total financial liabilities | 13 | 8 | 2 090 | 1 907 |

Items measured at fair value consist of listed and unlisted shares, units in unlisted UCITS funds and derivative instruments. Listed shares are measured at fair value based on the most recent available bid price as of the reporting date. The fair value of unlisted shares and units in UCITS funds is based on the valuation guidelines of Invest Europe. The table below shows levels in the measurement

hierarchy for the items that are measured at fair value in the balance sheet. For derivative instruments, the fair value is based on the counterparty's valuation. The table below shows the measurement hierarchy level for the items that are measured at fair value in the statement of financial position.

Financial assets

| | Level 2 | | Level 3 | |
|---------------------------------|---------|------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Derivative instruments | 6 | 23 | - | - |
| UCITS funds | - | - | 30 | 34 |
| Unlisted shares | - | - | 3 | 13 |
| Shares in economic associations | - | - | 1 | 1 |
| | 6 | 23 | 34 | 48 |

Items in level 3

| | Unlisted UCITS funds | Unlisted shares | Shares in economic associations | Total |
|------------------------------|-------------------------|--------------------|---------------------------------------|-------|
| Opening balance, 1 Jan 2020 | 30 | 12 | 3 | 45 |
| Acquisitions | 2 | - | - | 2 |
| Distribution/disposal | -10 | -3 | -2 | -15 |
| Change in fair value | 12 | 4 | - | 16 |
| Closing balance, 31 Dec 2020 | 34 | 13 | 1 | 48 |
| Opening balance, 1 Jan 2021 | 34 | 13 | 1 | 48 |
| Acquisitions | 1 | - | - | 1 |
| Distribution/disposal | -13 | -13 | - | -26 |
| Change in fair value | 8 | 3 | 0 | 11 |
| Closing balance, 31 Dec 2021 | 30 | 3 | 1 | 34 |

■ Note 30 Leases

GROUP

The Group leases land and buildings for offices, factories, warehouses and agricultural and dressage operations. The lease terms for offices, factories and warehouses are 3-10 years and for agricultural and dressage operations 5-60 years. In many cases, the contracts contain an option to extend the lease term after the scheduled end date. Some contracts include variable payments linked to an index or rate. The Group also leases cars and trucks, and to a lesser extent machinery and production equipment. The lease terms for these assets are 3-5 years.

As of the reporting date, the Group has not entered into any leases that have not commenced.

Due dates for lease liabilities are shown in note 29.

Cash outflows related to leases are shown in note 36.

Income attributable to leases consists of rental income from investment properties where the Group is lessor. See note 13.

Right-of-use assets, reconciliation of opening and closing balances

| | Land and buildings | Plant, machinery, equipment, tools and fixtures & fittings | Total |
|--|-----------------------|---|-------------|
| Accumulated cost | | | |
| Opening balance, 1 Jan 2020 | 325 | 70 | 395 |
| New contracts | 27 | 16 | 43 |
| Revaluations | 3 | 0 | 3 |
| Terminated contracts | -5 | -12 | -17 |
| Reclassifications | 5 | - | 5 |
| Exchange differences for the year | -33 | -4 | -37 |
| Closing balance, 31 Dec 2020 | 322 | 70 | 392 |
| Accumulated depreciation and impairment | | | |
| Opening balance, 1 Jan 2020 | -49 | -24 | -73 |
| Depreciation for the year | -37 | -26 | -63 |
| Terminated contracts | 5 | 11 | 16 |
| Exchange differences for the year | 7 | 2 | 9 |
| Closing balance, 31 Dec 2020 | -74 | -37 | -111 |
| Carrying amounts | | | |
| 1 Jan 2020 | 276 | 46 | 322 |
| 31 Dec 2020 | 248 | 33 | 281 |
| Accumulated cost | | | |
| Opening balance, 1 Jan 2021 | 322 | 70 | 392 |
| New contracts | 48 | 37 | 85 |
| Revaluations | 5 | -1 | 4 |
| Terminated contracts | -17 | -18 | -35 |
| Exchange differences for the year | 24 | 2 | 26 |
| Closing balance, 31 Dec 2021 | 382 | 90 | 472 |
| Accumulated depreciation and impairment | | | |
| Opening balance, 1 Jan 2021 | -74 | -37 | -111 |
| Depreciation for the year | -45 | -24 | -69 |
| Terminated contracts | 17 | 18 | 35 |
| Exchange differences for the year | -6 | -1 | -7 |
| Closing balance, 31 Dec 2021 | -108 | -44 | -152 |
| Carrying amounts | | | |
| 1 Jan 2021 | 248 | 33 | 281 |
| 31 Dec 2021 | 274 | 46 | 320 |

Costs related to leases

| | 2021 | 2020 |
|--|------------|-----------|
| Depreciation of right-of-use assets | 69 | 63 |
| Costs related to short-term leases | 19 | 18 |
| Interest on lease liabilities | 11 | 12 |
| Costs related to low-value leases (excl. low-value leases with a short lease term) | 5 | 4 |
| Variable lease payments not included in lease liability measurement | 2 | 2 |
| | 106 | 99 |

PARENT COMPANY**Leases where the Company is lessee, maturities**

| | 2021 | 2020 |
|----------------------------|----------|----------|
| Within one year | 0 | 1 |
| Between one and five years | 0 | 0 |
| | 0 | 1 |

Expenses recognised for operating leases

| | 2021 | 2020 |
|----------------|----------|----------|
| Lease payments | 0 | 0 |
| | 0 | 0 |

■ Note 31 Investment commitments**GROUP**

| | 2021 | 2020 |
|---------------------------------|----------|----------|
| Capital commitments, UCITS fund | 5 | 6 |
| | 5 | 6 |

PARENT COMPANY

| | 2021 | 2020 |
|---------------------------------|----------|----------|
| Capital commitments, UCITS fund | 5 | 6 |
| | 5 | 6 |

■ Note 32 Pledged assets, contingent liabilities and contingent assets

GROUP

| Contingent liabilities | | |
|--------------------------------|------|------|
| | 2021 | 2020 |
| Guarantees | 6 | 6 |
| Guarantee commitments, FPG/PRI | 2 | 2 |
| | 8 | 8 |

The Group does not have any pledged assets.

The Group does not have any contingent assets. In 2020, a loan corresponding to SEK 16 million was granted to Colart Americas as part of the Paycheck Protection Program (PPP). The PPP was created to help companies keep their staff employed during the Covid-19 crisis. The loan could be forgiven if certain criteria were met. In October 2020, Colart Americas submitted a loan forgiveness application under the Paycheck Protection Program. The application was approved in 2021 and the loan has been forgiven. The Group did not have any other contingent assets in the previous year.

PARENT COMPANY

The Parent Company does not have any pledged assets, contingent liabilities or contingent assets.

■ Note 33 Related parties

The Group's related parties are the Parent Company's shareholders, Board members and Group management (including close family members of these three groups) and the joint venture companies Höganäs Holding AB, Sweden, and Colart Bonny Ltd, Japan. The Parent Company's related parties are also its subsidiaries.

The subsidiaries Pilskytten Lantbruk AB and Christinelund Dressage AB lease land from the Parent Company's Board Chairman Jenny Lindén Urnes. Lindéngruppen provides support to the Färgfabriken foundation, where Jenny Lindén Urnes is Board Chairman. Transactions with related parties are priced at market terms. Information on remuneration of Board members and senior executives can be found in note 5 Employees and personnel expenses. Dividends, interest expenses and interest income from subsidiaries are shown in note 8 Net financial items. Information on dividends to the Company's shareholders can be found in note 23 Equity. Group contributions received and provided are presented in note 9 Appropriations. Receivables from and liabilities to subsidiaries are disclosed in the Parent Company's balance sheet. Other transactions are shown in the tables below.

GROUP

Related party transactions

| | Year | Accounts Receivable | Sale of goods and services | Purchase of goods and services | Other costs |
|-----------------------|------|---------------------|----------------------------|--------------------------------|-------------|
| Joint ventures | 2021 | 1 | 0 | 0 | - |
| | 2020 | - | - | 0 | - |
| Other related parties | 2021 | - | - | 3 | 2 |
| | 2020 | - | 1 | 3 | 2 |

PARENT COMPANY

Related party transactions

| | Year | Accounts Receivable | Sale of goods and services | Purchase of goods and services | Other costs |
|-----------------------|------|---------------------|----------------------------|--------------------------------|-------------|
| Subsidiaries | 2021 | | 15 | - | - |
| | 2020 | | 18 | 10 | - |
| Joint ventures | 2021 | | - | 0 | - |
| | 2020 | | - | 0 | - |
| Other related parties | 2021 | | - | 0 | 2 |
| | 2020 | | - | 0 | 2 |

■ Note 34 Group companies

GROUP

Holdings in subsidiaries

| Subsidiary | Registered office | Ownership, % | |
|---|--------------------------------------|--------------|------|
| | | 2021 | 2020 |
| Christinelund Dressage AB | Höganäs, Sweden | 100 | 100 |
| Pilskytten Lantbruk AB | Höganäs, Sweden | 100 | 100 |
| Christinelund Ekologisk Lantgård AB | Höganäs, Sweden | 100 | 100 |
| Kungshammaren AB | Höganäs, Sweden | 100 | 100 |
| Christineborg Fastigheter AB | Höganäs, Sweden | 100 | 100 |
| Cedron AB | Höganäs, Sweden | - | 100 |
| AB Wilh. Becker | Höganäs, Sweden | 100 | 100 |
| Christineborg Holding AB | Höganäs, Sweden | 100 | 100 |
| Soab AB | Höganäs, Sweden | 100 | 100 |
| Beckers UK Ltd | Haverhill, UK | 100 | 100 |
| Moorbrook Textiles Ltd | Ayr, UK | 100 | 100 |
| Moorbrook Holdings Ltd | Ayr, UK | 100 | 100 |
| Yorklyde Ltd | London, UK | 100 | 100 |
| Becker Industrial Coatings Holding AB | Stockholm, Sweden | 100 | 100 |
| Wilh. Becker Holding GmbH | Berlin, Germany | 100 | 100 |
| Beckers Group Services GmbH | Berlin, Germany | - | 100 |
| Becker Industrielack GmbH | Dormagen, Germany | 100 | 100 |
| Becker Industrial Coatings AB | Sigtuna, Sweden | 100 | 100 |
| Becker Industrial Coatings Italia S.p.a. | Milan, Italy | 100 | 100 |
| Becker Industrie SAS | Montbrison, France | 100 | 100 |
| Becker Ind Coatings LLC (RAK) | Ras al Khaimah, United Arab Emirates | 100 | 100 |
| Becker High Performance Coatings | Tianjin, China | 100 | 100 |
| Becker Specialty Corporation USA | Elk Grove Village, IL, USA | 100 | 100 |
| Becker Industrial Coatings (M) Sdn. Bhd. | Selangor, Malaysia | 100 | 100 |
| Becker Industrial Coatings (Shanghai) Ltd | Shanghai, China | 100 | 100 |
| Berger Becker Bangladesh Ltd | Dhaka, Bangladesh | 51 | 51 |
| Beckers Indonesia, PT | Jakarta, Indonesia | 100 | 100 |
| Beckers Manufacturing, PT | Jakarta, Indonesia | 100 | 100 |
| Becker Industrial Coatings Inc | Toronto, Canada | 100 | 100 |
| Berger Becker Coatings (Pvt) Limited | New Delhi, India | 51 | 51 |
| Becker Farby Przemyslowe Sp.z o.o. | Tarnów, Poland | 100 | 100 |
| Becker Industrial Coatings (Vietnam) Co Ltd | Thuan An District, Vietnam | 100 | 100 |
| Becker Industrial Coatings (Pty) Ltd | Vereeniging, South Africa | 100 | 100 |
| Becker Industrial Coatings (HK) Ltd | Hong Kong, China | 100 | 100 |

| Subsidiary (cont'd.) | Registered office | Ownership, % | |
|---|-------------------------|--------------|------|
| | | 2021 | 2020 |
| Becker Industrial Coatings (China) Ltd | Hong Kong, China | 100 | 100 |
| Becker Industrial Coatings (Guangzhou) Ltd | Guangzhou, China | 100 | 100 |
| Becker Industrial Coatings Ltd | Lagos, Nigeria | - | 100 |
| Becker Holdings Ltd | Liverpool, UK | 100 | 100 |
| Becker Industrial Coatings Ltd | Liverpool, UK | 100 | 100 |
| Becker North Ltd | Liverpool, UK | - | 100 |
| Goodlass Wall & Co Ltd | Soham, UK | 100 | 100 |
| Beckers Coating Boya San. Ve.Tic Ltd SIT | Gebze, Turkey | 100 | 100 |
| Beckers Industrial Coatings Mexico S.A. de C.V. | Monterrey, Mexico | 100 | 100 |
| Beckers Argentina Ltd | Buenos Aires, Argentina | 100 | 100 |
| Colart Group Holdings Ltd | London, UK | 100 | 100 |
| Colart International Holdings Ltd | London, UK | 100 | 100 |
| Colart Pension Trustees Ltd | London, UK | 100 | 100 |
| WNRGP Ltd | London, UK | 100 | 100 |
| Winsor & Newton Ltd | London, UK | 100 | 100 |
| Colart Contract Manufacturing Ltd | London, UK | 100 | 100 |
| Colart UK Ltd | London, UK | 100 | 100 |
| Crown Artist Brush Ltd | London, UK | 100 | 100 |
| Colart Temporary Name Ltd | London, UK | 100 | 100 |
| Snazaroo Holdings Ltd | London, UK | 100 | 100 |
| Elephant Art Ltd | London, UK | 100 | 100 |
| Colart Scotland LP | Aberdeen, UK | 100 | 100 |
| Colart PFP (LP) Limited | Aberdeen, UK | 100 | 100 |
| Colart PFP (GP) Limited | Aberdeen, UK | 100 | 100 |
| Colart Le Mans S.A.S. | Le Mans, France | 100 | 100 |
| Colart Creative International S.A.S. | Le Mans, France | 100 | 100 |
| Colart Europe S.A.S. | Le Mans, France | 100 | 100 |
| Colart France S.A.S. | Le Mans, France | 100 | 100 |
| Colart Sweden AB | Stockholm, Sweden | 100 | 100 |
| Colart Italiana SpA | Milan, Italy | 100 | 100 |
| Colart Iberica SA | Zaragoza, Spain | 100 | 100 |
| Colart Northern Europe GmbH | Maintal, Germany | 100 | 100 |
| Colart Benelux b.v. | Rotterdam, Netherlands | 100 | 100 |
| Colart Sp. z o. o. | Warsaw, Poland | 100 | 100 |
| Colart Americas Inc | Piscataway, NJ, USA | 100 | 100 |
| Colart Camlin Canvas Pvt Ltd | Tarapur, India | 81 | 81 |
| Bonny Colart Co Ltd | Tokyo, Japan | -* | 50 |
| Colart Tianjin Art Material Co Ltd | Tianjin, China | 90 | 90 |

*As of 31 December 2021, Bonny Colart Co Ltd is reclassified from a subsidiary to a joint venture. The ownership remains unchanged at 50%.

Interests in partnerships

The Group has interests in a partnership, Colart Scotland LP, which is fully consolidated in Lindéngruppen. The Group has applied the exception in rule 7 of the Partnerships (Accounts) Regulations 2008 and has therefore not submitted the accounts for the partnership to the registration authority (Companies House). Separate accounting documents are not required for this partnership and have not been registered with Companies House in the UK.

PARENT COMPANY

Reconciliation of opening and closing balances

| | 2021 | 2020 |
|-------------------------------------|--------------|--------------|
| <i>Accumulated cost</i> | | |
| At beginning of year | 2 058 | 2 103 |
| Shareholder contributions | -48 | 48 |
| Disposals | -4 | -93 |
| Closing balance, 31 December | 2 006 | 2 058 |
| <i>Accumulated revaluations</i> | | |
| At beginning of year | 541 | 541 |
| Closing balance, 31 December | 541 | 541 |
| <i>Accumulated impairment</i> | | |
| At beginning of year | -221 | -305 |
| Disposals | 4 | 84 |
| Closing balance, 31 December | -217 | -221 |
| Carrying amount, 31 December | 2 330 | 2 378 |

Parent Company's direct holdings of shares in subsidiaries

| Subsidiaries | Reg. no. | Registered office | Number of Shares | | Carrying amount | |
|------------------------------|-------------|-------------------|------------------|-----|-----------------|--------------|
| | | | shares | % | 2021 | 2020 |
| AB Wilh. Becker | 556221-9104 | Höganäs, Sverige | 500 000 | 100 | 2 237 | 2 237 |
| Christinelund Dressage AB | 556339-2397 | Höganäs, Sverige | 300 000 | 100 | 78 | 126 |
| Kungshammaren AB | 556001-8268 | Höganäs, Sverige | 80 000 | 100 | 10 | 10 |
| Christineborg Fastigheter AB | 556030-7067 | Höganäs, Sverige | 40 000 | 100 | 5 | 5 |
| Pilskytten Lantbruk AB | 556217-5025 | Höganäs, Sverige | 10 000 | 100 | 0 | 0 |
| Cedron AB | 556802-3955 | Höganäs, Sverige | 1 249 | 100 | - | 0 |
| | | | | | 2 330 | 2 378 |

Note 35 Untaxed reserves

PARENT COMPANY

| | 2021 | 2020 |
|---|-----------|-----------|
| Tax allocation reserve, for 2020 tax assessment | 6 | 6 |
| Tax allocation reserve, for 2016 tax assessment | - | 29 |
| Accumulated accelerated depreciation | 5 | 5 |
| | 11 | 40 |

Note 36 Cash flow statement specifications

GROUP

Cash outflows related to leases

| | 2021 | 2020 |
|---|------------|------------|
| Ongoing lease payments recognised under lease liabilities | -70 | -68 |
| Short-term leases | -19 | -12 |
| Low-value leases | -5 | -4 |
| Variable lease payments not included in lease liability measurement | -1 | -2 |
| | -95 | -86 |

Adjustments for non-cash items

| | 2021 | 2020 |
|--|-------------|-----------|
| Depreciation | 257 | 250 |
| Impairment | -7 | -10 |
| Exchange differences | -12 | 75 |
| Changes in value of financial instruments | 9 | -7 |
| Changes in value of investment property | -2 | -2 |
| Gain/loss on disposal of property, plant & equipment | 2 | 7 |
| Provisions and other items | -26 | -94 |
| Investments in associates and joint ventures | -367 | -135 |
| | -146 | 84 |

Reconciliation of liabilities attributable to financing activities

| | At beginning of year | Cash flows | Accruals | Non-cash movements | | Exchange differences | At end of year |
|----------------------|----------------------------|-------------|----------|---------------------------------|-------------------------------------|-------------------------|-------------------|
| | | | | Change in lease liability | Loss of control in subsidiary | | |
| 2021 | | | | | | | |
| Bank loans | 565 | -201 | 2 | - | -12 | 32 | 386 |
| Overdraft facilities | 443 | -71 | - | - | -4 | 4 | 372 |
| Lease liabilities | 261 | -59 | - | 72 | - | 16 | 290 |
| Other liabilities | 31 | 2 | - | - | - | 1 | 34 |
| | 1 300 | -329 | 2 | 72 | -16 | 53 | 1 082 |
| 2020 | | | | | | | |
| Bank loans | 737 | -121 | 2 | - | - | -53 | 565 |
| Overdraft facilities | 364 | 88 | - | - | - | -9 | 443 |
| Lease liabilities | 301 | -57 | - | 43 | - | -26 | 261 |
| Other liabilities | 37 | -3 | - | - | - | -3 | 31 |
| | 1 439 | -93 | 2 | 43 | - | -91 | 1 300 |

PARENT COMPANY**Adjustments for non-cash items**

| | 2021 | 2020 |
|----------------------------|----------|----------|
| Depreciation | 5 | 6 |
| Provisions and other items | -1 | 0 |
| Exchange differences | 0 | 0 |
| | 4 | 6 |

Non-cash transactions

| | 2021 | 2020 |
|--|------|------|
| Group contributions received, offset against liability or recognised as asset | 92 | 80 |
| Group contributions paid, recognised as liability or offset against receivable | -42 | -31 |

■ Note 37 Events after the reporting period**The war in Ukraine**

Lindéngruppen's sales to Ukraine and Russia amounted to SEK 139 million in 2021, which corresponds to less than 2 per cent of the Group's sales. After the balance sheet date, accounts receivable and inventories have been written down by SEK 46 million. There are no subsidiaries in Russia or Ukraine. Some deliveries of raw materials and energy are affected by the conflict, which affects Höganäs in particular. Raw material and logistics prices are expected to rise, which primarily affects Beckers.

■ Note 38 Significant accounting estimates

Certain accounting estimates and assumptions at the reporting date are of particular significance when measuring assets and liabilities in the balance sheet. Here follows a description of the areas

where there would be a risk of significant changes in value during the subsequent year if the assumptions or estimates needed to be changed.

Deferred tax assets

When assessing the value of recognised deferred tax assets, assumptions are made about the extent to which temporary differences and loss carryforwards may be utilised against future profits. See also note 10.

Impairment testing of goodwill and trademarks with indefinite useful lives

The carrying amounts of goodwill and trademarks with indefinite useful lives are tested for impairment at least annually. Impairment testing involves calculating the recoverable amount of the cash-generating unit or group of cash-generating units to which the carrying amounts are allocated. This requires a number of assumptions concerning future conditions and parameter estimates. These are described in note 11.

Impairment testing of property, plant and equipment

The value of property, plant and equipment is tested if there is an indication of impairment. The testing includes an assessment of the value in use or the fair value. This requires a number of assumptions concerning future conditions and parameter estimates. Changes in the conditions for assumptions and estimates could affect the value of the assets.

Leases

To determine lease liabilities and the value of right-of-use assets, assumptions are made about factors such as the lease term, the discount rate, residual value guarantees and purchase options. The parameter that has the greatest effect on the value is the lease term. When determining the lease term, all available information that creates an economic incentive to exercise an option to extend or terminate the lease is considered.

As a general rule, extension options for leases of office premises, vehicles and other equipment are not included in the lease liability as the Group can replace the assets without significant costs or business interruptions. Based on the Group's planning horizon, extension options for storage and production premises that occur later than 5-7 years are not normally included in the lease liability. However, a derogation from the main rules is made in the event of other factors, such as significant improvements to the leased asset.

Investment property

Investment property is recognised at fair value, which is determined by management based on the property's market value. Significant judgements have therefore been made with regard to discount rate and yield, which are based on the valuers' experience-based assessments of market yields for comparable properties. Estimates of cash flow for operating, maintenance and administrative expenses are based on actual costs as well as experience from comparable properties. Future investments are assessed on the basis of actual needs that exist. See also note 13.

Pensions

The costs and value of pension obligations for defined-benefit pension plans are based on actuarial calculations derived from assumptions on discount rates, expected return on plan assets, future salary increases, inflation and demographic conditions. These are described in note 25.

Note 39 Information about the Parent Company

Lindéngruppen AB is a Swedish-registered limited liability company domiciled in Höganäs. The postal address of the Head Office is Bruksgården, 263 83 Höganäs. The 2021 consolidated financial statements comprise the Parent Company and its subsidiaries, which together form the Group. The Group also includes the ownership interests in associates and joint ventures.

■ Note 40 Appropriation of the Company's profit or loss

PARENT COMPANY

Unrestricted equity in the Parent Company (SEK)

| | |
|--------------------------|----------------------|
| Retained earnings | 5 774 345 556 |
| Profit/loss for the year | 159 163 735 |
| | 5 933 509 291 |

The Board proposes that the available profits and unrestricted funds be distributed as follows (SEK):

| | |
|-------------------------------------|----------------------|
| Dividend (250 000 shares x 200 SEK) | 50 000 000 |
| Retained earnings | 5 883 509 291 |
| | 5 933 509 291 |

Höganäs 2022-04-06

Jenny Lindén Urnes
Chair

Erik Urnes
Vice Chair

Urban Jansson
Board member

Mikael Olsson
Board member

Charlotte Strömberg
Board member

Paul Schrotti
CEO and Board member

Our Audit Report was submitted on 12 April 2022
Deloitte AB

Signatures on Swedish original

Richard Peters
Authorised Public Accountant
Chief Auditor

Maria Ekelund
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Lindéngruppen AB,
corporate identity number 556205-4956

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Lindéngruppen AB for the financial year 2021-01-01 - 2021-12-31. The annual accounts and consolidated accounts of the company are included on pages 23–32 and 66–118 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for opinions

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

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

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–22, 33–65 and 119–124. The Board of Directors and the Managing Director are responsible for this other information.

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

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the

information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Lindéngruppen AB for the financial year 2021-01-01 - 2021-12-31 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the

proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

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

Höganäs, 12 April 2022
Deloitte AB

Signatures on Swedish original

Richard Peters
Authorised Public Accountant
Auditor in charge

Maria Ekelund
Authorised Public Accountant

Auditor's statement on the statutory Sustainability Report

To the annual general meeting of Lindéngruppen AB,
corporate identity number 556205-4956

Auditor's statement on the statutory sustainability report

To the annual general meeting of Lindéngruppen AB,
corporate identity number 556205-4956.

Assignment and distribution of responsibility

It is the Board that is responsible for the sustainability report for the year 2021 and for ensuring that it is prepared in accordance with the Annual Reports Act.

The direction and scope of the investigation

Our investigation has been performed according to FAR's recommendation RevR 12 Auditor's statement on the statutory sustainability report. This means that our investigation of the sustainability report has a different approach from and a much smaller scope than an audit in accordance with International Standards on Auditing and generally accepted auditing practice in Sweden. We believe that this investigation provides us with a sufficient basis for our statement.

Opinion

A sustainability report has been prepared.

Höganäs, 12 April 2022

Signatures on Swedish original

Richard Peters
Authorised Public Accountant
Auditor in charge

Maria Ekelund
Authorised Public Accountant

Symbiosis – the theme of this report

Symbiosis

This year's Lindéngruppen Integrated Annual and Sustainability Report has the theme "Symbiosis", which was inspired by a project and an exhibition of the same name at Färgfabriken.

In the Symbiosis project, ideas, experiences and different areas of knowledge met in a changeable exhibition that also served as a place for meetings and conversations. The ambition was to highlight how artists, architects and researchers approach the concept *symbiosis* based on different themes.

Symbiosis inspired Lindéngruppen

"The Symbiosis exhibition at Färgfabriken inspired the theme of this Integrated Annual and Sustainability Report," says Jenny Johansson, Chief Communication and Sustainability Officer at Lindéngruppen. "We felt that the concept of symbiosis where ideas, experiences and different areas of knowledge are integrated, perfectly reflect how we overcome complex challenges at Lindéngruppen and create value together with our various companies and partners."

The majority of the photos in this report are from the Symbiosis exhibition.

About the Symbiosis exhibition

The term symbiosis comes from Greek and can be translated as "living with". The original meaning is a biological cohabitation where two organisms are mutually

dependent on each other, sometimes even for their own survival.

Symbiosis is increasingly used when talking about interaction between different systems. This can be, for example, how social structures, communications, the environment and biodiversity interact in urban planning.

The exhibition demonstrated the complexity of our world, while at the same time providing a reasoning about challenges and opportunities in our rapidly changing time.

Read more about the exhibition on the Färgfabriken website www.fargfabriken.se.

About the Färgfabriken Foundation

Since 1995, the foundation has served as a platform for contemporary cultural expression, with an emphasis on art, architecture and urban planning. Lindéngruppen is the main partner to the Färgfabriken Foundation.

Photos in the report

Åsa Cederqvist, The Source, 2021. Video installation. Photo: Johan Österholm (page 1).

Gylleboverket, Pågående arbete. Photo: Gylleboverket (page 2).

John Jakobsson, detail picture. Photo: John Jakobsson (page 4).

Åsa Cederqvist, installation view Symbiosis. The Source, 2021. Färgfabriken. Photo: Johan Österholm (page 12).

Zheng Bo, part of DACE:s project Symbiosis – Erotics, Färgfabriken. Photo: Eike Walkenhorst (page 23).

Alicia Ahlström, Gustav Sturk and Jukka Viitasara, Seahorses, Wave Breaker. Photo: Johan Österholm (page 33).

Irene Stracuzzi, Custom Printing 4-Metre Inflatable Globe, 2018. Photo: Johan Österholm (page 51).

John Jakobsson, Amongst the wonders of nature, detail. Photo: Johan Österholm (page 66).

Tove Kjellmark, Inside. Photo: Tove Kjellmark (page 123).





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