TROAX GROUP AB – ANNUAL REPORT 2019

SAFER

MAKING YOUR WORLD SAFE
PROTECTING PEOPLE, PROPERTY, AND PROCESSES.

TROAX – THE ORIGINAL
OUR PRODUCTS ARE BASED ON HARD WORK, GOOD IDEAS AND VALUES THAT ARE SOFTER THAN STEEL. WE HAVE BEEN WORKING ON MAKING YOUR WORLD SAFE SINCE 1955.

TROAX GROUP AB

Financial calendar 2020
Interim Report Q1, **23 April**
Interim Report Q2, **13 August**
Interim Report Q3, **28 October**
Year-end Report 2020, February 2021

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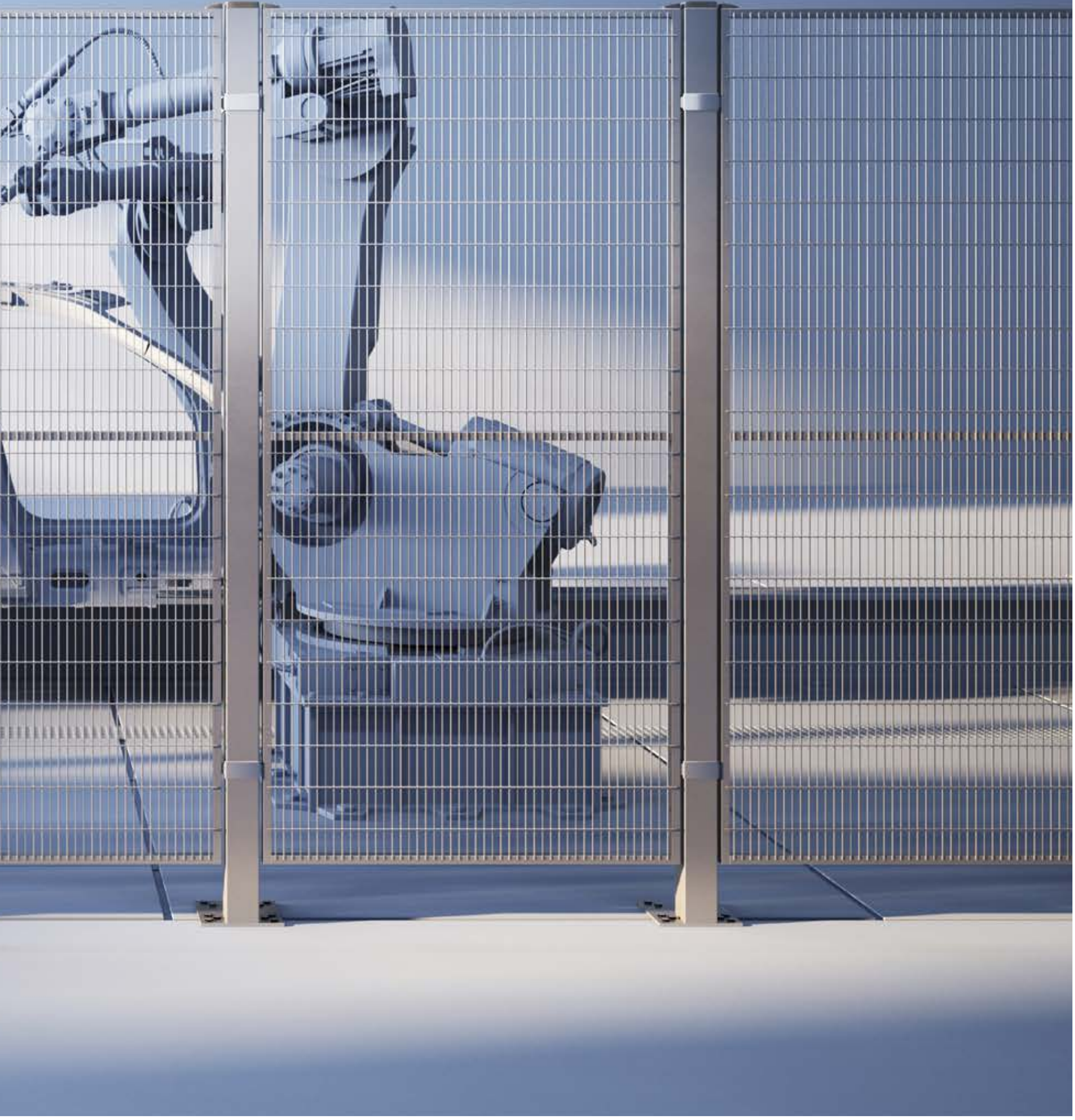
FOR INFORMATION ABOUT THE BUSINESS,
MARKETS AND CORPORATE RESPONSIBILITY,
PLEASE SEE WWW.TROAX.COM

»TOGETHER FOR A SAFER FUTURE«

THOMAS WIDSTRAND
CEO and President,
Troax Group AB (publ)



THIS IS TROAX

TROAX IS WORKING TO MAKE YOU
INNOVATIVE SAFETY SOLUTIONS.
HAS BEEN DEVELOPING HIGH-QUA
SOLUTIONS, AND ITS VISION IS T
SECURE STORAGE, MACHINE GU
WAREHOUSES. TODAY, TROAX IS TI
AND ITS PRODUCTS PROTECT PEO
ALL OVER THE WORLD.

UR WORLD SAFER BY DEVELOPING
L FOR NEARLY 65 YEARS, TROAX
ALITY, METAL-BASED MESH PANEL
TO MEET DEMAND FOR SAFE AND
UARDING AND PARTITIONS FOR
HE MARKET LEADER IN THIS FIELD,
OPLE, PROPERTY AND PROCESSES

DIRECTORS' REPORT

INFORMATION ABOUT THE BUSINESS
The Board of Directors and the CEO of Troax Group AB (publ) hereby submit the Annual Report and consolidated financial statements for the financial year 2019. Troax is an international producer of mesh panels used for perimeter protection, ensuring a safer environment for people, property, and processes. The business focuses on three market segments: Machine Guarding, Warehouse Partitioning and Property Protection.

Machine Guarding comprises Troax's standardised protection solutions for robot cells and automation solutions. The solutions comprise everything from individual mesh panels to complete installations of safety doors and locks equipped with circuit breakers.

Warehouse Partitioning comprises Troax's mesh panels for anti-collapse systems and mesh shelving for pallet racks, mesh partitioning for warehouse division and as protection against theft of goods, and complete machine guarding applications for automated warehouses.

Property Protection comprises Troax's mesh panel solutions for residential storage units and garages. Sales and installation primarily take place via own sales companies in Europe, the USA and China, and via a small number of agents in Asia and South America.

Troax is the market leader in terms of both volume, customer accessibility and product development, not least reflected in Troax's cooperation with a number of leading car manufacturers and automation suppliers within the market segment Machine Guarding.

Troax's head office is located in Hillerstorp in Sweden and the company has production facilities in Hillerstorp, Birmingham (UK), Shanghai (China), Calco (Italy) and Chicago (USA). In 2019, Troax reported increased volumes while results remained on a par with the previous year.

GROUP STRUCTURE
Troax Group AB (publ) is the Parent Company of the Group with 24 directly and indirectly wholly-owned subsidiaries, as shown in Note 29. Operationally, the Group is based on one operating segment, but sales and orders received are managed on the basis of geographical regions (Continental Europe, the Nordic region, the UK, North America and New Markets) and market segments (Machine Guarding, Warehouse Partitioning and Property Protection).

SIGNIFICANT EVENTS IN THE REPORTING PERIOD
Just as in 2018, a lot of time and effort was spent on continuing to integrate and improve operations in Folding Guard. The focus of these measures were primarily production, delivery service and logistics, and increasingly over the year also marketing and sales.

During the year, major investments were made in Hillerstorp in a new production line for prefabricated panels and expansion of our warehouse space. In the Italian unit, construction of a completely new plant is nearing completion and it is expected to come on stream in the first half of 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD
With regard to impacts relating to coronavirus, our judgement is that the changing situation means it is not possible to predict the duration or extent of the health crisis, nor therefore the full potential impact on Troax's operations. Troax has taken steps to safeguard the health and safety of its employees and the spread of coronavirus has not so far caused any major disruption to our operations. On the day of signing of the annual report, decisions by the government were made, which amount to production units in England and USA to temporarily be closed for the duration of a couple of weeks as a preventative to stop the spread of coronavirus. The situation is changing rapidly, however, and our judgement is that there is a risk that the coronavirus outbreak will have a financial impact in 2020.

ORDERS RECEIVED AND NET SALES
The Group's order intake in 2019 amounted to EUR 168.1 million, corresponding to an increase of 2% compared with the previous year. Adjusted for currency effects, the increase was 1%. Net sales in 2019 amounted to EUR 168.0 million, up by 4% compared with net sales in the previous year. Adjusted for currency effects, the

increase was 4%. All markets except North America and new markets reported increased sales compared with the previous year. The decrease in sales in North America was wholly attributable to the fact that Folding Guard's customer segment automotive sharply reduced its investments in 2019.

FINANCIAL PERFORMANCE

Operating profit (EBIT) in 2019 totalled EUR 32.9 million, an improvement of EUR 0.1 million on the previous year. No material one-time adjustments were recorded in the financial year. The improvement in operating profit compared with the previous year was due to increased volumes together with good cost management. Troax continued to invest in developing New Markets in 2019, and this area is expected to contribute to Troax's long-term growth. The operations in North America and China helped boost the Group's results. Profit after tax in 2019 amounted to EUR 24.3 million, on a par with the previous year.

INVESTMENTS

Troax is continually investing in maintenance of production facilities and production equipment. In addition to maintenance capital expenditure, the company is investing in expanding or upgrading production facilities in order to increase productivity and/or capacity. In the reporting year 2019, investments primarily comprised the expansion of the plant in Hillerstorp and expenditure on new machinery at the new plant in Italy. As a result of adoption of IFRS 16, right-of-use assets are recognised as a separate line item in the balance sheet and within this item, the largest investment was the new plant in Italy.

CASH FLOW, LIQUIDITY AND FINANCIAL POSITION

Cash flow from operating activities in 2019 amounted to EUR 30 million and total cash flow for the year amounted to EUR 8 million. The difference was primarily due to dividends to shareholders and large investments in buildings in Sweden and investment in machinery in Italy in order to increase capacity. These investments together with continued investments in production improvements and machinery amounted to EUR 9.2 million in the reporting period. Cash and cash equivalents as at 31 December 2019 amounted to EUR 30.4 million and net interest-bearing debt totalled EUR 49.1 million. The ratio of net interest-bearing debt to EBITDA was 1.3. For comparison, the Group's financial target is a ratio below 2.5. The Group's equity as at 31 December 2019 amounted to EUR 95.7 million and the equity/assets ratio was 43.5%.

FIVE-YEAR SUMMARY

Group, SEK m	2019	2018	2017	2016	2015
Net sales	168.0	161.0	152.1	115.8	103.7
Gross profit	67.0	63.6	60.0	48.7	44.6
Operating profit before depreciation/amortisation (EBITDA)	38.9	35.6	33.7	28.0	24.6
Operating profit (EBIT)	32.9	32.8	30.6	25.3	22.4
Profit after tax	24.3	24.4	17.0	16.3	13.7
Equity	95.7	82.6	69.2	65.9	60.0
Total assets	220.4	191.5	172.3	172.5	144.2

EMPLOYEES

At the end of 2019, Troax had 726 employees, up slightly from 707 at the end of 2018. Other personnel information is reported under Note 6.

ENVIRONMENT, HEALTH, SAFETY

Troax has implemented comprehensive measures to minimise the company's environmental impact and is constantly working to reduce this impact. Improved energy efficiency is an important part of the sustainability work and an Environmental report is distributed to managers and supervisory bodies every quarter. Troax's has an environmentally friendly production process and was certified according to the environmental standard ISO 14001 as early as 1998. The mesh panels produced by the company are environmentally friendly because they are a pure steel product that is 99% recyclable. Operations carried out at the Hillerstorp plant in the past have had an adverse impact on groundwater; for more information, see "Risks and uncertainty factors" below Troax protects people, property and processes, a claim that applies to both customers and employees. Troax therefore takes an integrated approach to the management of health and safety, starting with an induction programme for new and temporary staff. Local subsidiaries are responsible for the implementation of adapted programmes that ensure health and safety conditions comply with local rules and regulations. All incidents and near misses must be reported, measures taken and follow-up carried out in order to minimise the risk of accidents and injury.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Troax's stance on CSR is summarised in two documents: The Group's Ethical Guidelines and Whistleblower Policy. The contents of these documents have again been presented to, and discussed with, all staff in the Group. Troax's Ethical Guidelines/Code of Conduct require Troax's staff to maintain high business and personal ethics in the performance of their duties. For employees and representatives of Troax, honesty, integrity and legal compliance are an important part of Troax's company culture and daily operations.

SUSTAINABILITY REPORT

Sustainability has always been central to Troax's business strategy. Troax continued its sustainability work in2019 and information on this can be found in Troax's Sustainability Report. The Sustainability Report is available on Troax's website under the heading Sustainability.

SHARE

At the end of 2019, there were 60,000,000 shares in the company. The share price at year-end stood at SEK 120.80. The number of shareholders at the end of 2019 amounted to 4,971. See Note 19 for further information about the share.

OWNERSHIP STRUCTURE

On 31 December 2019, Investment AB Latour owned 30.1% of the shares and was thus the largest shareholder. None of the other shareholders had a holding of more than 10%.

PARENT COMPANY

Troax Group AB (publ), corporate identity number 55 69 16-4030 is the Parent Company for the business activities within the Troax Group. The Parent Company's activities comprise Group functions. The Parent Company's net sales amounted to EUR 1.1 million (EUR 1.2) and the Parent Company reported an operating loss of EUR −0.8 million (−0.7). Profit after net financial income/expense totalled EUR 9.2 million (EUR 9.7). Profit after tax amounted to EUR 15.0 million (15.4).

RISKS AND UNCERTAINTIES

MACROECONOMIC FACTORS

The end-customers for Troax's products mostly comprise systems integrators producing automated production lines, OEMs, logistics companies, retail businesses, housing associations and property owners. Several of Troax's end-customers are affected by general economic changes in the markets and geographical areas where they operate. This means that macroeconomic changes may result in reduced demand from end-customers for mesh panel solutions from Troax. In addition, fluctuations in local or regional economic conditions may also affect Troax's end-customers and demand for the company's products. Were these circumstances to arise, they could have a negative impact on the Group's activities, financial position or performance.

RAW MATERIALS PRICES

Troax is exposed to fluctuations in the prices of the raw materials that are used in Troax's production, as well as fluctuations in the prices of the raw materials used in manufacture of products that Troax purchases from external suppliers. Raw materials purchases for production of mesh panel solutions include steel piping, wire, and powder for coating and finishing. The raw materials Troax uses in its production primarily comprise standard products used in numerous industries.

UNFORESEEN PRODUCTION STOPPAGES

Troax's activities are dependent on the main production facilities in Hillerstorp in Sweden, Calco in Italy and Chicago in the USA. If any one of these production facilities were to be partially or wholly destroyed, had to close down, or if any equipment in the facilities were to be seriously damaged, production and distribution of the company's products could be disrupted or cancelled. To the extent that unforeseen production stoppages, damage to property or other events that affect the value chain are not fully covered by insurance, this could have a significant negative effect on the company's activities, financial position or performance.

COMPETITION

Troax operates in markets that are fragmented and generally characterised by stiff competition, and this is expected to continue to be the case in the future. Alternative products that are currently competing with Troax's mesh panel solutions include simple wire solutions and mesh solutions, as well as motion sensors that register when a person is in the vicinity of machinery. Other alternative products or production technologies not known to the company may also have been developed/be under development. Such products or production technologies may also be developed in the future and could, in one or more respects, compete with or surpass the company's products or production efficiency. Troax currently enjoys a strong position as the leading company in its main markets and being the market leader is a risk in and of itself. If the company is unable to compete successfully it may lose market share, which could have a significant adverse effect on the Group's activities, financial position or performance.

PRODUCT LIABILITY AND OTHER PRODUCT-RELATED CLAIMS

Troax is exposed to product liability and guarantee claims to the extent that the company's products are defective or cause injury or damage to person or property. If a product is defective, Troax is normally responsible for repairing or replacing the defective products. This applies to both the consumer and industrial markets, as necessary. Due to the above risk, Troax may be subject to product liability and other claims if the products manufactured by Troax or the products purchased from external suppliers are defective, cause production stoppages or cause personal injury or damage to property.

ENVIRONMENTAL RISKS

Troax's operations are located on properties that have been used for industrial operations for a long time, in particular at Hillerstorp. Troax's previous activities have resulted in an elevated level of trichloroethylene in the groundwater at the property in Hillerstorp in Sweden. In spring 2015, an investigation that involved drilling to determine the environmental impact of the previous activities was concluded. In 2015–2018, a parallel programme regarding chlorinated solvents in the groundwater was conducted at selected test sites, and the outcome was reported to Gnosjö Municipality. The Municipality's general assessment of the results is that contamination primarily with trichloroethylene is present but that it is not possible to discern a trend of either a decline or increase in contamination in the groundwater at either the test sites or in samples taken from a well for drinking water. According to the Municipality, there is no clear need for action at the site on the basis of existing information about the contamination situation. However, the Company will have to implement continuous cleaning and monitoring of the water from the contaminated well to ensure access to production and drinking water, at least while the well is being used as a source of drinking water. There is no direct need for continued monitoring of the groundwater because this is unlikely to provide any new information. However, test samples from the well will continue to be taken according to the previous schedule in order to monitor levels before and after charcoal filtering.

FINANCING OF THE GROUP

Troax's liabilities primarily comprise loans from credit institutions. The level of debt has consequences for shareholders, partly because Troax has to set aside a proportion of cash flow in the business towards its financial obligations in respect of debt. This could lead to reduced resources for Troax's operations, as well as for investments, working capital, dividends, etc. Troax's ability to handle its liabilities is dependent on future results, which in turn are affected by prevailing economic conditions, as well as financial, commercial, regulatory and other factors. If the consequence of this is that Troax is unable to generate sufficient cash flow to meet its financial obligations, this could have a significant adverse effect on Troax's activities, financial position and operating results.

CURRENCY RISK

Currency risk refers to the risk of exchange rate fluctuations having a negative impact on the Group's income statement, balance sheet or cash flow. Exposure to currency risk occurs in connection with purchases or sales of products or services in a currency other than the local currencies of the respective subsidiaries (transaction exposure) and in the translation of subsidiaries' income statements and balance sheets from foreign currencies into EUR (translation exposure). The Company's global business gives rise to significant cash flows in foreign currencies. Troax is primarily exposed to fluctuations in the SEK/EUR, USD/EUR and GBP/EUR exchange rates.

WORK OF THE BOARD OF DIRECTORS

The Board of Directors is the highest decision-making body after the general meeting of shareholders. The Board of Directors' principal role is to determine the company's business strategy, resources and capital structure, as well as the company's organisation and management of the company's affairs. The general duties of the Board of Directors also include ongoing assessment of the company's financial position and approval of the company's business plan. The general duties include the Board of Directors being responsible for overarching matters such as the company's strategy, acquisitions, major investments, divestments, submissions of annual reports and interim reports, appointment of the CEO, etc. The Board of Directors adheres to written rules of procedure that are established annually at the first scheduled board meeting following election. The rules of procedure set out the obligations and decision-making powers of the Board of Directors, the division of responsibilities between the Board of Directors and the CEO, etc. The Board of Directors meets according to an annual meeting schedule agreed in advance. In addition to these meetings, further meetings can be arranged in exceptional circumstances. In addition to the board meetings, the Chairman of the Board of Directors and the CEO maintain a continuous dialogue concerning management of the company. The division of responsibilities between the Board of Directors and the CEO is governed by the Board of Directors' rules of procedure and the terms of refence issued by the Board of Directors to the CEO. The CEO is responsible for implementation of the business plan, as well as ongoing management of the company's affairs and day-to-day operations in the company. This means that the CEO has the right to take decisions in matters which are assessed to be within the scope of ongoing management of the company. The CEO also has the right, without authorisation from the Board of Directors, to take action that, given the scope and nature of the company's operations, is of an unusual nature or of major importance and which cannot wait for a decision by the Board of Directors without this having a material adverse impact on the company's operations. The terms of reference for the CEO also govern the CEO's responsibility for reporting to the Board of Directors. The Board of Directors held four meetings at which minutes were taken in 2019, and one meeting at which minutes were taken has been held so far in 2020. In 2019, Troax's Board of Directors comprised six ordinary members elected by the Annual General Meeting in May 2019, as well as employee members of the Board. The Chairman of the Board of Directors does not participate in the operational management of the company.

GUIDELINES FOR REMUNERATION OF THE CEO AND OTHER SENIOR EXECUTIVES

The Annual General Meeting in May 2019 passed a resolution on guidelines for remuneration of the CEO and other senior executives which included a proposal for additional remuneration in the form of share-based incentive programmes on condition that these promote long-term commitment to the business and provided that they are issued on market terms. Prior to the Annual General Meeting in 2020, the Board proposes that guidelines from previous years relating to remuneration of senior executives, adjusted for new provisions in the Swedish Companies Act but substantially unchanged, be adopted for 2020.

FUTURE PROSPECTS

Troax does not make forecasts for the future. The Group does, however, prepare business plans which reinforce the positive view of growth in Troax's underlying market.

PROPOSED APPROPRIATION OF PROFITS

Non-restricted equity in the Parent Company in EUR thousand:

Share premium reserve	20,319
Retained earnings	5,316
Profit for the year	14,968
Total	**40,603**

THE BOARD'S OPINION ON THE PROPOSED DISTRIBUTION OF PROFITS

The Board of Directors proposes that a dividend of EUR 0.19 (EUR 0.16) per share, a total of EUR 11.4 million (EUR 9.4), be paid to shareholders. The proposed dividend to shareholders will reduce the Parent Company's equity/assets ratio to 28.9% and the consolidated equity/assets ratio to 40.3%. The equity/assets ratio is satisfactory in view of the fact that the operations of the company and Group remain profitable. It is estimated that liquidity in the company and Group can be maintained at an equally satisfactory level. It is the Board's view that the proposed distribution does not prevent the company, or other companies in the Group, from fulfilling their short-term or long-term obligations, nor from completing required investments. The proposed distribution can therefore be justified with regard to what is recommended in the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2–3 (the rule of caution). The record date for dividend payments is 27 April 2020.

CONSOLIDATED INCOME STATEMENT

	Note	2019	2018
Net sales	2	167,959	161,042
Cost of goods sold		–100,927	–97,463
Gross profit		**67,032**	**63,579**
Selling expenses		–23,856	–21,364
Administrative expenses		–9,702	–9,077
Other operating income	4	87	102
Other operating expenses	5	–607	–387
Operating profit	6, 7, 8	**32,954**	**32,853**
Financial income		0	23
Financial expenses		–913	–818
Net financial income/expense	9	**–913**	**–795**
Profit before tax		**32,041**	**32,058**
Taxes	10	–7,689	–7,678
Profit for the year		**24,352**	**24,380**
Earnings per share	19		
Basic (EUR)		0.41	0.41
Diluted (EUR)		0.41	0.41
Consolidated statement of comprehensive income			
Profit for the year		**24,352**	**24,380**
Other comprehensive income	20		
Items that are or may be reclassified to profit or loss			
Translation differences for the year		–613	–2,690
		–613	**–2,690**
Items that cannot be reclassified to profit or loss			
Remeasurement of defined benefit pension plans		–715	–326
Tax attributable to items that cannot be reclassified to profit or loss		126	41
		–589	**–285**
Other comprehensive income for the year		**–1,202**	**–2,975**
Comprehensive income for the year		**23,150**	**21,405**

The whole of the profit for the year is attributable to the Parent Company's shareholders.

CONSOLIDATED BALANCE SHEET

	Note	31/12/2019	31/12/2018
Assets	3, 27		
Non-current assets			
Intangible assets	11	87,342	87,937
Property, plant and equipment	12	31,079	26,160
Right-of-use assets	14	10,688	0
Non-current financial assets	13	1,548	1,022
Deferred tax asset	10	4,661	4,457
Total non-current assets		**135,318**	**119,576**
Current assets			
Inventories	15	14,526	11,897
Trade receivables	16	34,125	32,472
Other receivables	18	2,522	2,129
Prepaid expenses and accrued income	17	3,562	2,682
Cash and cash equivalents	31	30,374	22,731
Total current assets		**85,109**	**71,911**
Total assets		**220,427**	**191,487**
Equity and liabilities	19, 20, 33		
Share capital		2,574	2,574
Other paid-in capital		30,280	30,893
Reserves		–15,889	–15,276
Retained earnings including profit for the year		78,758	64,396
Total equity		**95,723**	**82,587**
Non-current liabilities			
Non-current, interest-bearing liabilities	21, 24	79,515	69,000
Provisions for pensions	22	5,228	4,452
Other provisions		1,797	256
Deferred tax liabilities	10	4,791	4,393
Total non-current liabilities		**91,331**	**78,101**
Current liabilities			
Trade payables		19,708	15,886
Tax liabilities	10	3,371	3,692
Other liabilities	24	2,809	4,138
Accrued expenses and deferred income	23	7,485	7,083
Total current liabilities		**33,373**	**30,799**
Total liabilities		**124,704**	**108,900**
Total equity and liabilities		**220,427**	**191,487**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Other paid-in capital	Reserves	Remeasurement of pensions 1)	Retained earnings incl. profit for the year	Total equity
Opening balance of equity 01/01/2018		**2,574**	**30,792**	**–12,586**	**–448**	**48,835**	**69,167**
Comprehensive income for the year							
Profit for the year		–	–	–	–	24,380	24,380
Other comprehensive income for the year		–	–	–2,690	–285	–	–2,975
Total comprehensive income		**0**	**0**	**–2,690**	**–285**	**24,380**	**21,405**
Transactions with owners of the Group							
Option premiums paid in		–	101	–	–	–	101
Dividend		–	–	–	–	–8,086	–8,086
Total transactions with owners of the Group		0	101	0	0	–8,086	–7,985
Closing balance of equity 31/12/2018		**2,574**	**30,893**	**–15,276**	**–733**	**65,129**	**82,587**
Opening balance of equity 01/01/2019		**2,574**	**30,893**	**–15,276**	**–733**	**65,129**	**82,587**
Comprehensive income for the year							
Profit for the year		–	–	–	–	24,352	24,352
Other comprehensive income for the year		–	–	–613	–589	–	–1,202
Total comprehensive income		**0**	**0**	**–613**	**–589**	**24,352**	**23,150**
Transactions with owners of the Group							
Option premiums paid in		–	58	–	–	–	58
Share repurchases		–	–671	–	–	–	–671
Dividend		–	–	–	–	–9,401	–9,401
Total transactions with owners of the Group		0	–613	0	0	–9,401	–10,014
Closing balance of equity 31/12/2019		**2,574**	**30,280**	**–15,889**	**–1,322**	**80,080**	**95,723**

The full amounts of all components of equity are attributable to the Parent Company's shareholders.
1) This item is included in retained earnings in the balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

	Note	2019	2018
Operating activities	31		
Operating profit before financial items		32,954	32,853
Adjustments for non-cash items		7,840	2,683
Interest received		0	23
Interest paid		–913	–818
Income taxes paid		–7,816	–5,814
Cash flow from operating activities before changes in working capital		**32,065**	**28,927**
Cash flow from changes in working capital			
Increase/decrease in inventories		–2,629	–1,248
Increase/decrease in trade receivables		–1,653	–1,616
Increase/decrease in other current receivables		–1,273	–2,800
Increase/decrease in trade payables		3,822	2,475
Increase/decrease in other current operating trade payables		–927	381
Cash flow from operating activities		**29,405**	**26,119**
Investing activities			
Investments in subsidiaries		–23	0
Investments in intangible assets		–245	0
Investments in property, plant and equipment		–8,918	–8,982
Proceeds from sale of property, plant and equipment		528	0
Investments in non-current financial assets		–84	–73
Cash flow from investing activities		**–8,742**	**–9,055**
Financing activities			
Share repurchases including transaction costs		–671	0
Option premiums received		58	100
Repayment of borrowings, in respect of right-to-use assets		–2,616	0
Dividends paid		–9,401	–8,086
Cash flow from financing activities		**–12,630**	**–7,986**
Cash flow for the year		8,033	9,078
Cash and cash equivalents at the beginning of the year		22,731	14,107
Translation difference		–390	–454
Cash and cash equivalents at the end of the year		**30,374**	**22,731**

INCOME STATEMENT / Parent Company

	Note	2019	2018
Net sales		1,141	1,202
Gross profit		**1,141**	**1,202**
Administrative expenses		–1,824	–1,796
Other operating income	4	0	0
Other operating expenses	5	–165	–125
Operating profit	6, 7	**–848**	**–719**
Net financial items			
Profit/loss from participations in Group companies	34	9,401	9,596
Profit/loss from other securities and receivables accounted for as non-current assets		642	971
Interest income and similar items		551	527
Interest expense and similar items		–581	–634
Total net financial items	9	**10,013**	**10,460**
Profit/loss after net financial items		**9,165**	**9,741**
Appropriations	18	7,370	7,282
Tax on profit for the year	10	–1,568	–1,635
Profit for the year		**14,967**	**15,388**
Statement of comprehensive income, Parent Company			
Profit for the year		14,967	15,388
Other comprehensive income for the year		0	0
Comprehensive income for the year		**14,967**	**15,388**

BALANCE SHEET / Parent Company

	Note	31/12/2019	31/12/2018
Assets	27		
Non-current assets			
Non-current financial assets			
Participations in Group companies	29	87,694	87,694
Receivables from Group companies	29	23,380	22,736
Other non-current receivables	13	442	0
Total non-current assets		**111,516**	**110,430**
Current assets			
Current receivables			
Receivables from Group companies		9,782	7,594
Prepaid expenses and accrued income		2	3
		9,784	**7,597**
Cash at bank and in hand		0	5,751
Total current assets		**9,784**	**13,348**
Total assets		**121,300**	**123,778**

BALANCE SHEET / Parent Company

	Note	31/12/2019	31/12/2018
Equity and liabilities			
Equity	20, 34		
Restricted equity			
Share capital		2,574	2,574
Non-restricted equity			
Share premium reserve		26,513	27,125
Retained earnings		−877	−6,864
Profit for the year		14,968	15,388
Total non-restricted equity		**40,604**	**35,649**
Total equity		**43,177**	**38,223**
Untaxed reserves	31	**6,527**	**4,327**
Provisions			
Other provisions		550	0
Total provisions		**550**	**0**
Non-current liabilities			
Liabilities to other credit institutions	21, 28	69,000	69,000
Total non-current liabilities		**69,000**	**69,000**
Current liabilities			
Trade payables		29	55
Liabilities to Group companies		0	10,866
Bank overdraft facility		148	0
Current tax liabilities		1,339	730
Other current liabilities		55	58
Accrued expenses and deferred income		475	518
Total current liabilities		**2,046**	**12,227**
Total equity and liabilities		**121,300**	**123,777**

STATEMENT OF CHANGES IN EQUITY / Parent Company

	Note	Share capital	Share premium reserve	Retained earnings incl. profit for the year	Total equity
Opening balance of equity 01/01/2018		**2,574**	**27,025**	**1,222**	**30,821**
Comprehensive income for the year		**–**	**–**	**–**	**–**
Profit for the year		–	–	15,388	15,388
Total comprehensive income		**2,574**	**27,025**	**16,610**	**46,209**
Transactions with owners of the Group					
Option premiums paid in		–	101	–	101
Dividends to the Parent Company's owners		–	–	−8,086	−8,086
Closing balance of equity 31/12/2018		**2,574**	**27,126**	**8,524**	**38,224**
Opening balance of equity 01/01/2019		**2,574**	**27,126**	**8,524**	**38,224**
Comprehensive income for the year					
Profit for the year		–	–	14,967	14,967
Total comprehensive income		**0**	**0**	**14,967**	**14,967**
Transactions with owners of the Group					
Option premiums paid in		–	58	–	58
Share repurchases		–	−671	–	−671
Dividends to the Parent Company's owners		–	–	−9,401	−9,401
Closing balance of equity 31/12/2019		**2,574**	**26,513**	**14,090**	**43,177**

CASH FLOW STATEMENT / Parent Company

	Note	2019	2018
Operating activities	31		
Operating profit before financial items		–848	–719
Interest received		551	527
Dividends received		9,401	9,596
Interest paid		–581	–634
Income taxes paid		–852	–1,635
Cash flow from operating activities before changes in working capital		**7,671**	**7,135**
Cash flow from changes in working capital			
Increase/decrease in operating trade receivables		–2,188	12,495
Increase/decrease in operating trade payables		–1,368	–8,185
Cash flow from operating activities		**4,115**	**11,445**
Financing activities			
Option premiums received		58	101
Share repurchases		–671	0
Change in bank overdraft facility		148	0
Dividends paid		–9,401	–8,086
Cash flow from financing activities		**–9,866**	**–7,985**
Cash flow for the year		**–5,751**	**3,460**
Cash and cash equivalents at the beginning of the year		5,751	2,291
Cash and cash equivalents at the end of the year		**0**	**5,751**

NOTES

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY AND THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 Accounting policies and measurement principles

(a) Compliance with standards and legislation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU, and the Swedish Annual Accounts Act. In addition, the Swedish Financial Reporting Board's Recommendation RFR 1 Supplementary accounting rules for groups has been applied.

The Parent Company applies the same accounting policies as the Group, except as stated below under the section "Parent Company's accounting policies".

The Annual Report and consolidated financial statements were authorised for issue by the Board of Directors and the CEO on 25 March 2020. The consolidated income statement, consolidated statement of comprehensive income and consolidated balance sheet, as well as the Parent Company's income statement and balance sheet will be presented for adoption by the Annual General Meeting on 23 April 2020.

(b) Measurement bases used in preparing the financial statements
Assets and liabilities are measured on a historical cost basis except for certain financial assets and liabilities, which are measured at fair value. Financial assets and liabilities that are measured at fair value comprise derivative instruments.

(c) Functional currency and presentation currency
The Euro is the Parent Company's presentation and functional currency. The Group's presentation currency is the Euro. This means that the Parent Company's financial statements and the consolidated financial statements are presented in EUR. Unless otherwise stated, all amounts are rounded to the nearest thousand.

(d) Judgements and estimates in the financial statements
Preparation of the financial statements in accordance with IFRS requires senior management to make judgements, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgements.

Estimates and assumptions are reviewed on an ongoing basis. Changes to estimates are recognised in the period in which the change is made if the change affects that period only, or in the period in which the change occurs and future periods, if the change affects both.

(e) New and amended standards effective in 2019 or later

IFRS 16
The Group leases production facilities, offices, warehouses, machinery and vehicles. Leases are normally concluded for fixed terms of between 6 months and 8 years but may contain an extension option, see item *(i)* below for a more detailed description.

Terms and conditions are negotiated separately for each lease and comprise a large number of different contract terms and conditions. The leases contain no specific terms and conditions or restrictions, other than that the lessor retains the right to pledged leased assets. Leased assets must not be used as collateral for loans.

Leased property, plant and equipment were classified as either finance or operating leases until the end of the reporting year 2018, see Note 14 for further details. With effect from 1 January 2019, leases are recognised as a right-of-use asset and corresponding lease liability from the date the leased asset is made available for use by the Group.

Assets and liabilities arising from leases are initially recognised at present value. Lease liabilities include the present value of the following lease payments:

» fixed payments (including in-substance fixed payments), after deduction of any benefits obtained in connection with entering into the lease
» variable lease 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 lessee under residual value guarantees
» lease payments that will be made for options to extend that are reasonably certain to be exercised are also included in the measurement of the liability.

The Group has chosen to classify right-of-use contracts with a term of less than 12 months, or which expire within 12 months of commencement, as short-term leases and these are not included in recognised liabilities or right-of-use assets. Contracts identified as leases where the underlying asset is of low value are also not included in recognised liabilities or right-of-use assets.

Lease payments are discounted at the rate implicit in the lease. If this rate cannot be readily determined, which is normally the case for the Group's leases, the lessee shall use their incremental borrowing rate, which is the rate that a lessee would have had to pay to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment and with similar terms and conditions and similar security.

The Group determines the incremental borrowing rate as follows:

» where possible, financing that has recently been obtained from a third party shall be used as a starting point and then adjusted to reflect changes in financing conditions since the financing was obtained. In the event that no financing has recently been obtained from a third party, the incremental borrowing rate shall be calculated using the current base rate in the relevant country, adjusted for the margin judged to be required for financing from a third party.

The Group is exposed to possible future increases in variable lease payments that depend on an index or a rate, which are not included in the lease liability until they occur. When adjustments of lease payments that depend on an index or rate take effect, the lease liability is remeasured and a corresponding adjustment is made to the right-of-use asset.

Lease payments are split between repayment of debt and interest. Interest is accounted for in the income statement over the lease term in a manner that results in a fixed rate of interest for the lease liability recognised for the relevant period.

Right-of-use assets are measured at cost and consist of the following:

» the amount of the initial measurement of the lease liability
» lease payments made at or before the commencement date, less any incentives received when the lease was entered into
» initial direct costs
» cost of restoring the asset to the condition specified in the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset.

Payments for short-term leases relating to leases of low-value assets are carried as an expense on a straight-line basis in the income statement. Short-term leases are leases with a lease term of 12 months or less. Leases of low-value assets include, but are not limited to, IT equipment and small items of office furniture.

(i) Options to extend and terminate leases

Options to extend and terminate leases are included in a number of the Group's leases for buildings and equipment. Terms and conditions are used to maximise flexibility in managing the assets used in the Group's operations. The majority of the options to extend and terminate leases can only be used by the Group and not by lessors.

(ii) Estimates and judgements relating to the lease term

When the lease term is determined, management considers all the available information that creates an economic incentive to exercise an option to extend a lease, or not to exercise an option to terminate a lease. Options to extend a lease are included in the length of the lease term only if it is reasonably certain that the lease will be extended.

Troax has identified leases, primarily relating to property, as open-end leases, that is, without a set end date. In many countries, local laws and regulations provide the lessee with security of tenure for such leases. This means that Troax, as the lessee, must determine a lease term that can be considered reasonable rather than contemplating the option to terminate the leases. In these cases, Troax has determined the lease term by assessing factors such as the significance of the property to the business, own planned and implemented investments in the leased property, property market conditions and the costs and disruption to operations that would be required to replace the leased asset. As a result of these considerations, the lease term for many leases has been determined to be longer than the minimum length of the lease.

The majority of the extension options relating to vehicle leases have not been included in the lease liability because the Group is able to replace the assets without undue cost or disruption to operations.

The lease term is reassessed if an option is exercised (or not exercised). An assessment of reasonable certainty will be reassessed only where a significant event or change in circumstances occurs that affects this assessment and is within the control of the lessee.

(iii) Guaranteed residual values

To optimise lease costs during the lease term in respect of machinery and vehicle leases, the Group sometimes provides residual value guarantees.

(iv) Estimates of amounts expected to be payable under residual value guarantees

The Group initially estimates the amounts expected to be payable under residual value guarantees and recognises these as part of the lease liability. Normally, the expected residual value at the beginning of a lease is equal to or higher than the guaranteed amount and the Group therefore does not expect to be required to pay any of the residual amounts.

(f) Classification

Non-current assets and non-current liabilities essentially comprise amounts that are expected to be recovered or settled after more than twelve months from the balance sheet date. Current assets and current liabilities essentially comprise amounts that are expected to be recovered or settled within twelve months from the balance sheet date.

(g) Segment reporting
An operating segment is a part of the Group that is involved in business activities that generate revenue and incur costs and for which stand-alone financial information is available. An operating segment's performance is followed up further by the company's chief operating decision makers in order to evaluate performance and to be able to allocate resources to the operating segment. See Note 2 for a more detailed description of the division and presentation of operating segments.

(h) Consolidation principles and business combinations
Subsidiaries are companies in which Troax Group AB (publ) has a controlling influence. Troax Group AB (publ) has a controlling influence if it controls an investee, has exposure or rights to variable returns from the entity and is able to exercise its influence over the investee to affect returns. An assessment of whether a situation involves controlling influence takes into account potential voting rights and situations of de facto control.

Subsidiaries are recognised according to the acquisition method. The method means that acquisitions of subsidiaries are regarded as transactions through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value on the acquisition date of the acquired identifiable assets and assumed liabilities, as well as any non-controlling interests. Transaction fees that arise are recognised immediately through profit or loss.

For a business acquisition where transferred consideration exceeds the fair value of the acquired assets and assumed liabilities recognised separately, the difference is recognised as goodwill.

Intra-group receivables and liabilities, revenue or expenses and unrealised profits or losses that arise from intra-group transactions between Group companies, are eliminated in their entirety when preparing the consolidated financial statements.

(i) Foreign currency
(i) Foreign currency transactions
Transactions in foreign currency are translated into the functional currency at the exchange rate prevailing at the transaction date. Functional currency is the currency of the primary economic environments in which the company operates. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate at the balance sheet date. Exchange differences that arise in translation are recognised in profit or loss. Non-monetary assets and liabilities that are recognised at historical cost are translated using the exchange rate prevailing on the transaction date. Non-monetary assets and liabilities that are recognised at fair value are translated into the functional currency at the exchange rate prevailing at the time of measurement at fair value.

(ii) Financial reports of foreign operations
Assets and liabilities in foreign operations, including goodwill and other consolidated overvaluations and undervaluations, are translated from the foreign operation's functional currency to the Group's presentation currency, Euro, at the exchange rate prevailing on the balance sheet date. Revenue and expenses from foreign operations are translated into Euros at an average exchange rate that is an approximation of the actual exchange rates at the time of the respective transactions. Translation differences that arise in connection with currency translation of foreign operations are recognised in other comprehensive income and accumulated in a separate component of equity, in reserves. When controlling interest ceases for a foreign operation, the accumulated translation differences attributable to the operation are realised and they are reclassified from the translation reserve under equity to profit or loss.

(iii) Intra-group foreign currency receivables and liabilities
Intra-group foreign currency receivables and liabilities that form part of the net investment in a foreign operation and which are translated according to IAS 21 will have an impact on the income statement and are dealt with as follows. Translation differences that arise during currency translation are recognised in other comprehensive income and accumulated in a separate reserve within equity.

(j) Sale of goods and services
The Group's net sales mainly comprise revenue from the sale of goods. Net sales have, where appropriate, been reduced by the value of discounts given and returned goods. Revenue from the sale of goods is recognised when ownership of the goods have been transferred to a third party, normally in connection with delivery to the customer. Some sales contracts include installation service together with sale of goods. In such cases, the good will be accounted for as revenue when the good has been delivered to a third party, normally in connection with delivery to the customer.

(k) Financial income and expense
Financial income comprises interest income, exchange differences and other financial income.

Financial expense mainly comprises interest expense on loans and defined-benefit pensions, as well as exchange differences.

Foreign exchange gains and losses are recognised on a net basis.

(l) Taxes
Income taxes comprise current tax and deferred tax. Income taxes are recognised in profit or less except when 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 equity.

Current tax is tax that is to be paid or received for the current year, with application of the tax rates that have been enacted or substantively enacted at the balance sheet date. Current tax also includes adjustments for current tax of prior periods.

Deferred tax is calculated in accordance with the balance sheet method and is based on temporary differences between the carrying amount and the tax bases of assets and liabilities. Temporary differences are not recognised for goodwill on consolidation nor for differences arising from initial recognition of assets or liabilities in a transaction that is not a business combination and that at the time of the transaction affects neither accounting nor taxable profit or loss. Furthermore, temporary differences attributable to holdings in subsidiaries and associates that are not expected to be repaid within the foreseeable future are not considered. Measurement of deferred tax is based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated using the tax rates and tax rules that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax assets are recognised for deductible temporary differences and loss carry-forwards only to the extent that it is probable that it will be possible to utilise the deductible temporary differences and loss carry-forwards. The value of deferred tax assets is reduced when it is no longer deemed probable that they can be utilised.

(m) Financial instruments

IFRS 9 is applied with effect from 1 January 2018 and covers classification, measurement and recognition of financial assets and liabilities.

Financial instruments reported in the statement of financial position include, on the asset side, cash and cash equivalents, trade receivables, other receivables, securities held as non-current assets and derivatives. Liabilities include trade payables, loans and derivatives.

(i) Recognition and derecognition in statement of financial position

Financial assets and financial liabilities are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument. Receivables are recognised when the company has satisfied its performance obligations and there is a contractual obligation on the counterparty to pay, even if the invoice has yet to be sent. Trade receivables are recognised in the statement of financial position once an invoice has been sent. Liabilities are recognised when the counterparty has satisfied its performance obligations and there is a contractual obligation to pay, even if the invoice has not yet been received. Trade payables are recognised when an invoice is received.

A financial asset is derecognised from the statement of financial position when the contractual right is realised, expires or the company has lost control over the asset. The same applies to a portion of a financial asset. A financial liability is derecognised from the statement of financial position when the contractual obligation is discharged or is otherwise extinguished. The same applies to a portion of a financial liability.

Financial assets and financial liabilities offset each other and the net amount is recognised in the statement of financial position only when a legal right to offset the amounts exists and the company intends to settle them on a net basis or to simultaneously realise the asset and settle the liability.

Acquisitions and sales of financial assets are recognised on the transaction date. The transaction date is the date when the company undertakes to acquire or sell the asset.

(ii) Classification and measurement

Financial instruments that are not derivatives are recognised initially at cost corresponding to the fair value of the instrument plus transaction costs for all financial instruments except for those classified as financial assets recognised at fair value through profit or loss, which are recognised at fair value excluding transaction costs. A financial instrument is classified at initial recognition, partly on the basis of the purpose for which the instrument was acquired. Classification determines how the financial instrument is measured after initial recognition, as described below.

Cash and cash equivalents comprise cash at bank and in hand.

Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets held for trading and other financial assets that the company has decided on initial recognition to place in this category (according to the so-called Fair Value Option). Financial instruments in this category are subsequently measured at fair value with any changes in value recognised through profit or loss. The first sub-category includes derivatives with positive fair values with the exception of derivatives that have been identified as effective hedging instruments. The Group has no instruments in the second sub-category.

Financial assets at amortised cost

Loan receivables and trade receivables are non-derivative financial assets with fixed payments, which are not listed on an active market. These assets are measured at amortised cost. Assets that are held for the purpose of collecting contractual cash flows and where these cash flows only comprise principal and interest on the principal are measured at amortised cost. Assets in this category are initially recognised at fair value including transaction costs. After acquisition they are recognised at amortised cost using the effective interest rate method. The carrying amount of these assets is adjusted for any expected credit losses that have been recognised. Interest income from these financial assets is recognised using the effective interest rate method and included in financial income. Assets in this category comprise non-current financing receivables, trade receivables and other current receivables. They are included in current assets, with the exception of items with a maturity of more than 12 months after the end of the reporting period, which are classified as non-current assets.

Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities held for trading and other financial liabilities that the company has decided on initial recognition to place in this category (the so-called Fair Value Option), see description above under “Financial assets at fair value through profit or loss”. The first category includes the Group’s derivatives with negative fair values. Changes in fair value are recognised through profit or loss. The Group has no instruments in the second sub-category.

Financial liabilities at amortised cost

Loans and other financial liabilities, for example trade payables, are included in this category. These liabilities are measured at amortised cost. The Group’s bank borrowings are not subject to repayment and the Group therefore does not recognise any current portion of long-term liabilities on the balance sheet.

(iii) Derivatives
The group's derivative instruments have been acquired in order to mitigate the exchange rate risks the company is exposed to. Troax does not apply hedge accounting, which means that changes in the fair value of derivatives are immediately recognised through profit or loss for the period in which they occur. Changes in the fair value of derivatives are recognised on a net basis as either other operating income or other operating expense. Derivatives are classified as Level 2 on the basis of market information, using observable market inputs available at each reporting date.

(n) Intangible assets
(i) Goodwill
Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and tested annually for impairment. Goodwill is not amortised.

(ii) Licences
Acquired licenses are booked at cost less accumulated amortisation and any impairment losses. Licenses are written off on a straight-line basis over the contractually regulated useful life of 5 years. Amortisation is included in the cost of goods sold.

(iii) Trademarks
Acquired trademarks are recognised at cost less any impairment losses. Most of the Group's trademarks are considered to have indefinite lives and are therefore not amortised. These trademarks are tested for impairment at least annually.

(iv) Customer relationships
Acquired customer relationships are recognised at cost less accumulated amortisation and any impairment losses. Customer relationships are written off on a straight-line basis over their estimated useful life of 15 years.

(o) Property, plant and equipment
Property, plant and equipment are recognised in the consolidated balance sheet at cost after deduction for accumulated depreciation and any impairment losses. Cost includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be utilised in accordance with the purpose of the acquisition. Loan expenses that are directly attributable to purchase, construction or production of assets that require significant time to be made ready for their intended use or sale are included in cost. Accounting policies relating to impairment are shown below.

The carrying amount of an item of property, plant and equipment is derecognised on retirement or disposal, or when no future economic benefits are expected from the use or retirement/disposal of the asset. Gains or losses arising on the disposal or retirement of an asset consist of the difference between the consideration paid and the carrying amount of the asset less any direct sales costs. Gains and losses are recognised as other operating income/operating expense.

Depreciation is done on a straight-line basis over the estimated useful life of the asset, land is not depreciated.

Estimated useful lives:

» Office and industrial buildings	20–25 years
» Machinery and other technical plant	5–10 years
» Equipment, tools, fixtures and fittings	3–10 years

In the income statement, depreciation is allocated to the respective functions.

(p) Inventories
Inventories are valued at the lower of cost and net sales value. The cost of inventories is calculated through the application of the first in, first out method (FIFO). For self-manufactured goods, cost includes a reasonable share of indirect costs.

(q) Impairment
The carrying amounts of assets are tested for indication of impairment at each balance sheet date. IAS 36 is applied to impairment of assets other than financial assets, which are accounted for in accordance with IFRS 9.

(i) Impairment of property, plant and equipment and intangible assets
If there is an indication of impairment, the asset's recoverable amount is calculated (see below). For goodwill and trademarks that are not written off, the recoverable amount is also calculated annually. An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the recoverable amount. An impairment loss is recognised as an expense through profit or loss. When impairment losses have been identified for a cash generating unit, the impairment amount is in the first instance allocated to goodwill. Thereafter, proportionate impairment losses are recognised for other assets included in the unit.

The recoverable amount is the higher of the fair value less costs to sell or the value in use. When calculating the value in use, future cash flows are discounted by a discounting factor that takes into account risk-free interest and the risk that is associated with the specific asset.

(ii) Impairment of financial assets
The Group applies the simplified approach to calculation of expected credit losses. This approach means that lifetime expected credit losses can be recognised for trade receivables and contract assets. In order to calculate expected credit losses, trade receivables and contract assets are grouped into categories based on credit risk characteristics and number of days past due. Contract assets comprise work performed but not yet invoiced and essentially share the risk characteristics of already invoiced work under the same type of contract. The Group therefore believes that expected credit losses on trade receivables are a reasonable estimate of expected credit losses on contract assets. Expected credit losses are based on historical information about client payments and credit losses for the 36 months to 31 December 2019 and 1 January 2019 respectively. Historic losses are adjusted to take into account current and

forward-looking information about macro-economic factors that could affect customers' ability to pay receivables.

Impairment of receivables is determined on the basis of historical loss experience in respect of similar receivables. Impaired trade receivables are recognised at the present value of future expected cash flows. Short-term receivables are not subject to discounting, however.

(iii) Reversal of impairment losses
Impairment losses on assets that are within the scope of IAS 36 are reversed if there is both an indication that an impairment loss may no longer exist and there has been a change in the assumptions on which the calculation of the recoverable amount was based. However, impairment losses for goodwill are never reversed. A reversal is only made to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognised, less any depreciation, if no impairment loss had been recognised.

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

(r) Dividends
Dividends are recognised as liabilities after the Annual General Meeting has approved the dividend.

(s) Earnings per share
Calculation of earnings per share is based on the Group's profit or loss for the year attributable to the Parent Company's owners and the weighted average number of outstanding ordinary shares over the year. There were no potentially dilutive ordinary shares either in the reporting year or the comparative year.

(t) Share option scheme
The company launched a share option scheme for senior executives in August 2018. Subscriptions under the scheme amounted to 37,000 share options, with each option giving the right to subscribe for three new shares at a subscription price of SEK 120.78 per share in the period 20 May 2022 to 30 June 2022. On the grant date, the participants in the scheme paid a fair value for the share options which had been calculated using an adjusted version of the Black-Scholes pricing model. The Parent Company will buy back its own shares on the open market to meets its obligation under the share option scheme.

The company launched its next share option scheme for senior executives in August 2019. Subscriptions under this scheme totalled 66,000 share options, with each option giving the right to subscribe for one new share at a subscription price of SEK 121.68 per share in the period 20 May 2023 to 30 June 2023. On the grant date, the participants in the scheme paid a fair value for the share options which had been calculated using an adjusted version of the Black-Scholes pricing model. The Parent Company will buy back its own shares on the open market to meets its obligation under the share option scheme.

(u) Remuneration of staff
(i) Short-term remuneration
Short-term remuneration of staff is calculated without discounting and recognised as an expense when the associated services are received.

(ii) Pension obligations
Plans in which the company's obligation is limited to the contributions the company has undertaken to pay are classified as defined contribution pension plans. The majority of the group's pension obligations are defined contribution plans and have been secured through insurance policies with insurance companies. For the CEO, parts of the defined contribution plan have been secured through a direct pension solution secured through endowment insurance. However, the group also has some defined benefit plans. Defined benefit plans are plans other than defined contribution plans. In Sweden, the defined benefit plans comprise ITP 2. In addition, the Group has some pension obligations in subsidiaries in Italy and France that are classified as defined benefit plans according to IAS 19.

The group's obligation relating to defined benefit plans is calculated separately for each plan through an estimate of future compensation that the employee has earned through his/her employment in both current and previous periods; this compensation is discounted to a present value. The discount rate is the interest on the balance sheet date of a high quality corporate bond, including mortgage bond, with a maturity that corresponds to the group's pension commitments. The calculation is carried out by a qualified actuary using the so-called Projected Unit Credit Method.

The Group's net obligation comprises the present value of the obligation. The interest expense for the defined benefit obligation is accounted for in net financial income/expense. The net interest cost is based on the interest that arises when discounting the net obligation, that is, the interest on the obligation. Other components are recognised under their respective functions in the income statement.

Revaluation effects comprise actuarial gains and losses. Revaluation effects are recognised in other comprehensive income. Special payroll tax constitutes a part of actuarial assumptions and is therefore recognised as part of the net obligation. The part of special payroll tax that is calculated on the basis of the Swedish Pension Obligations Vesting Act in a legal entity is, for reasons of simplicity, recognised as accrued expense instead of as part of the net obligation/net asset.

Tax on returns from pension funds is recognised on an ongoing basis through profit or loss for the period the tax relates to and is thus not included in the liability calculation.

(v) Provisions
Provisions are recognised at the amount that is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of the timing of payment is material, provisions are calculated by discounting expected future cash flow to an interest rate before tax that reflects current market estimates of the time value of money and, where applicable, the risks associated with the liability.

Note 1 cont.

(x) Contingent liabilities
Contingent liabilities are recognised when there is a possible obligation resulting from past events and the existence of which is confirmed only through one or more uncertain future events not within the control of the Group, or when there is an obligation that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required, or is not reliably measurable.

The Parent Company's accounting policies
The Parent Company's financial statements have been 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 statements for listed companies have also been applied. According to RFR 2, the Parent Company must, in the financial statements for the legal entity, apply all IFRS and statements adopted by the EU in so far as this is possible within the framework of the Swedish Annual Accounts Act, the Swedish Pension Obligation Vesting Act and with regard to the relationship between accounting and taxation. The recommendation states the exceptions from and additions to IFRS that should be applied.

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

Revised accounting policies
Unless otherwise stated below, the Parent Company's accounting policies in 2018 changed in accordance with the amendments described above in respect of the Group's accounting policies.

Classification and formats
The format of the Parent Company's income statement and balance sheet follow the format in the Swedish Annual Accounts Act. The difference compared with IAS 1 Presentation of Financial Statements, which is applied to the presentation of the consolidated financial statements, primarily comprises recognition of financial income and expense, non-current assets and equity.

Subsidiaries
Shares in subsidiaries are recognised by the Parent Company in accordance with the cost method. This means that transaction fees are included in the recognised value of holdings in subsidiaries. In the consolidated financial statements, transaction fees attributable to subsidiaries are recognised immediately through profit or loss account when they are incurred.

Financial instruments
Because of the relationship between accounting and taxation, the rules regarding financial instruments and hedge accounting in IFRS 9 are not applied in the Parent Company as a legal entity.

NOTE 2 Operating segments and breakdown of revenues

An operating segment is a part of the Group that is involved in business activities that generate revenue and incur costs and for which stand-alone financial information is available.

An operating segment's financial performance is followed up further by the company's chief operating decision makers, the Group management, in order to evaluate financial performance and allocate resources to the operating segment. Troax's Group management follows up the financial performance of the Group as one entity. Therefore, the operating segment statement comprises only one segment, mesh panels. The segment's financial information therefore corresponds to the financial information for the Group.

The reason the Group is followed up as one segment is that performance measures are only monitored at an overall level because production and other overall costs are found at the head office and not distributed across other areas. At lower levels than the operating segment, monitoring only applies to regional sales and volume of orders received. There are therefore no performance measures that the chief operating decision makers use for distribution of resources.

Internal prices between the Group's different regions are based on the "arm's length" principle, that is, between parties that are independent of each other, well-informed and with an interest in ensuring the transactions are carried out.

Geographical areas/Business areas

The Group's net sales are divided into the following five geographical areas: The Nordic region, the UK, Continental Europe, North America and New markets, and the following three business areas: Property Protection, Machine Guarding, Warehouse Partitioning.

Internal sales only occur between the head office and other units, not between geographical areas. Sales and installation primarily take place via own sales companies in Europe, the USA and China, and via a small number of agents in Asia and South America.

Geographical areas

Net sales	31/12/2019	31/12/2018
Nordic region	26,562	25,792
UK	20,688	17,222
Continental Europe	87,576	84,948
North America	24,486	24,065
New markets	8,647	9,015
Total	**167,959**	**161,042**

No single customer accounts for 10% or more of net sales. Sweden, where the company is domiciled, accounted for EUR 14,146,000 (13,849,000) of net sales in the Nordic region. Net sales above are based on customers' domicile.

Business areas		
Property Protection	23,627	24,600
Machine Guarding	104,880	98,442
Warehouse Partitioning	39,452	38,000
Total	**167,959**	**161,042**

Intangible and tangible assets and right-of-use assets		
Nordic region	92,594	76,189
UK	542	537
Continental Europe	20,240	22,114
North America	15,582	15,094
New markets	151	163
Total	**129,109**	**114,097**

Sweden, where the company is domiciled, accounted for EUR 92,555,000 (76,145,000) of fixed assets in the Nordic region.

NOTE 3 Business combinations

Acquisitions

In 2019, the company acquired its distributor in India. The acquisition was completed on 1 August 2019 and the purchase consideration amounted to EUR 23,000. In 2019, the company also entered into an agreement on the acquisition of its distributor in Japan. Completion of the acquisition took place after the end of the reporting year.

NOTE 4 Other operating income

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Capital gain/loss on the sale of property, plant and equipment		7		
Change in fair value of currency derivatives	246			
Currency gains on receivables/liabilities relating to operations	–159			
Other		95		
Total	**87**	**102**		

NOTE 5 Other operating expenses

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Change in fair value of currency derivatives		205		
Currency losses on receivables/liabilities relating to operations		–592	–165	–125
Capital gain/loss on the sale of property, plant and equipment	–88			
Other	–519			
Total	**–607**	**–387**	**–165**	**–125**

NOTE 6 Employees and employee benefit expenses

	Group		Parent Company	
Wages, salaries, other remuneration and social security contributions	**2019**	**2018**	**2019**	**2018**
Wages, salaries, other remuneration and social security contributions	28,457	29,444	809	803
Social security contributions	7,352	7,152	393	283
Pension costs, defined benefit (also see Note 22)	465	116		
Pension costs, defined contribution plans	1,136	1,117	177	174
Total	**37,410**	**37,829**	**1,379**	**1,260**

Of the Parent Company's pension costs, pensions in respect of the Group's Board of Directors and CEO accounted for EUR 86,000 (105,000). Part of the pension cost for the CEO has been secured through a direct pension solution secured through endowment insurance. There are no outstanding pension obligations to the Board of Directors. A pension obligation exists in respect of the CEO which has been fully met through a direct pension solution secured through endowment insurance.

Average number of employees

Parent Company	2019	Of which men	2018	Of which men
Sweden	3	100%	3	100%
Total, Parent Company				

Subsidiaries				
Sweden	222	78%	214	76%
Norway	2	100%	3	33%
Denmark	9	78%	9	77%
Finland	4	100%	4	100%
UK	70	86%	69	87%
Benelux	18	78%	17	76%
France	25	72%	24	71%
Germany	48	77%	45	74%
Switzerland	1	100%	1	100%
Italy	97	69%	93	64%
Spain	18	67%	18	61%
China	18	83%	17	84%
USA	165	74%	177	82%
Other	20	80%	8	62%
Total, subsidiaries	**717**		**699**	
Total, Group	**720**	**77%**	**702**	**76%**

Gender ratio in senior management	31/12/2018	31/12/2018
Parent Company	**Proportion women**	**Proportion women**
Board of Directors	33.0%	33.0%
Other senior executives	0.0%	0.0%
Group		
Board of Directors	33.0%	33.0%
Other senior executives	0.0%	0.0%

In respect of the members of the Board elected by the Annual General Meeting, the proportion of women is 33%.

Severance pay
In the case of termination by the CEO, a period of notice of six months shall apply. There are no agreements on severance pay or other benefits for either the Chairman of the Board or the other members of the Board, other than the CEO. In the case of termination by the company, the CEO is entitled to severance pay corresponding to 12 monthly salaries. The final six months are conditional on the CEO not having found new employment.

The managing directors of subsidiaries have similar agreements for severance pay of 6–12 months' salary.

Benefits for senior executives

Principles for remuneration of the Board of Directors
The Chairman of the Board and other Board members receive fees as determined by the Annual General Meeting. Employee representatives on the Board do not receive board fees. The 2019 Annual General Meeting decided that the fees for the Board of Directors for work performed in 2019/20 until the next AGM should be SEK 540,000 (500,000) for the Chairman of the Board and SEK 250,000 (230,000) for each of the Board members. The Chairs of the Remuneration Committee and Audit Committee receive an additional fee of SEK 50,000 (50,000), and SEK 100,000 (75,000) respectively. Members of the Remuneration Committee and Audit Committee receive an additional fee of SEK 25,000 (25,000), and SEK 75,000 (50,000) respectively.

Principles for remuneration of the CEO and President
Remuneration
The CEO and President receives remuneration in the form of basic salary, pension and variable compensation. In 2019, the basic salary was EUR 276,000 (280,000). Variable compensation must not exceed 6 monthly

salaries. Any bonus payments will be determined on the basis of the Troax Group's financial performance and growth.

In 2019, remuneration of the CEO and President amounted to EUR 387,000 (373,000), including benefits, of which EUR 15,000 (83,000) comprised a bonus for the financial year 2019.

Retirement benefits
The CEO and President has the right to retire at the age of 65. The CEO's pension plan is not a defined benefit plan.

In 2019, premium contributions in respect of the CEO amounted to EUR 86,000 (105,000).

Principles for remuneration to other members of the Group management
Remuneration
Those members of the Group management who are employed in companies other than the Parent Company receive their remuneration from the respective companies. The remuneration is decided by the CEO, assisted by the Chairman of the Board, and comprises a basic salary, pension, variable remuneration and other benefits. For other members of the Group management, the variable compensation must not exceed 4 monthly salaries. Any bonus payments and the bonus amounts are determined by the Board on the basis of the Troax Group's financial performance and growth. In 2019, remuneration of other members of the Group management totalled EUR 1,131,000 (1,246,000), of which EUR 78,000 (201,000) comprised bonuses for the financial year 2019.

Notice periods and severance pay
Other members of the Group management have notice periods of six to twelve months in the case of termination by the company, and three to six months in case of resignation. During the notice period other members of the Group management have the right to full salary and other employment benefits. None of the other members of the Group management is entitled to severance pay.

Retirement benefits
Other members of the Group management have the right to retire at the age of 65. Pension payments adhere to the collectively bargained plan ITP.

The company's obligation is linked to final salary at retirement. In 2019, premium contributions in respect of other members of the Group management amounted to EUR 219,000 (211,000).

Remuneration and other benefits in the financial year, 2019	Basic salary Board fee	Variable remuneration	Other benefits	Pension expense	Total
Chairman of the Board Jan Svensson	56				56
Board member Curt Germundsson					
Board member Anna Stålenbring	33				33
Board member Eva Nygren	26				26
Board member Bertil Persson	31				31
Board member Fredrik Hansson	24				24
CEO Thomas Widstrand	276	15	10	86	387
Other senior executives (6 persons)	958	77	95	219	1,349
Total	**1,404**	**92**	**105**	**305**	**1,906**
Of which from the Parent Company	**556**	**42**	**33**	**176**	**807**

Remuneration and other benefits in the financial year, 2018	Basic salary Board fee	Variable remuneration	Other benefits	Pension expense	Total
Chairman of the Board Jan Svensson	54				54
Board member Curt Germundsson	5				5
Board member Anna Stålenbring	30				30
Board member Per Borgvall	7				7
Board member Eva Nygren	25				25
Board member Bertil Persson	20				20
Board member Fredrik Hansson	17				17
CEO Thomas Widstrand	281	83	9	106	479
Other senior executives (6 persons)	933	202	112	211	1,458
Total	**1,372**	**285**	**121**	**317**	**2,095**
Of which from the Parent Company	**713**	**129**	**32**	**189**	**1,063**

NOTE 7 Fees and reimbursement of costs to auditors

PwC	Group 2019	2018	Parent Company 2019	2018
Audit assignment	104	89	77	64
Auditing services other than the audit assignment	16	26	16	21
Tax advice	22		22	
Total	**142**	**115**	**115**	**85**
Other auditors				
Audit assignment	59	77		
Other services	44	44		
Total	**103**	**121**	**0**	**0**

Of the fees and remuneration paid in 2019 to the auditors of the Group, payments to the accounting firm Öhrlings PricewaterhouseCoopers AB were as follows: Audit assignment EUR 65,000 (62,000) and auditing services other than the audit assignment EUR 9,000 (20,000) and tax advice EUR 22,000 (0).

NOTE 8 Operating expenses by type of expense

	Group 2019	2018
Material costs	–43,394	–40,308
Changes in inventories, finished goods and work in progress	1,605	449
Employee benefits expenses	–41,223	–39,139
Other external costs	–45,571	–46,136
Depreciation/amortisation	–5,903	–2,770
Total expenses	**–134,486**	**–127,904**

NOTE 9 Net financial income/expense

	Group 2019	2018	Parent Company 2019	2018
Dividends			9,401	9,596
Interest income from cash at bank		23		
Interest income, Group companies			551	527
Financial income		**23**	**9,952**	**10,123**
Interest expense, credit institutions	–600	–670	–581	–623
Interest expense, other	–253	–148		–11
Net exchange rate changes	–60		642	971
Financial expenses	**–913**	**–818**	**61**	**337**
Net financial income/expense	**–913**	**–795**	**10,013**	**10,460**

NOTE 10 Taxes

Recognised in the income statement and statement of other comprehensive income

	Group		Parent Company	
Current tax expense (-)/tax income (+)	**2019**	**2018**	**2019**	**2018**
Tax expense for the period	–7,496	–7,741	–1,568	–1,635
	–7,496	**–7,741**	**–1,568**	**–1,635**
Deferred tax expense (-)/tax income (+)				
Deferred tax on revaluation of carrying amount of deferred tax assets	–193	63	0	0
Total recognised tax expense	**–7,689**	**–7,678**	**–1,568**	**–1,635**

Reconciliation of effective tax

Group	**%**	**2018**	**%**	**2018**
Profit before tax		32,041		32,058
Tax in accordance with the applicable tax rate for the Parent Company	21.4	–6,857	22.0	–7,053
Effect of other tax rates for foreign subsidiaries	3.1	–1,007	2.9	–950
Non-deductible expenses	0.1	–52	0.1	–34
Adjustments in respect of previous years	–0.7	236		
Recognition of previously unrecognised tax losses			–1.0	317
Other effects	0.0		–0.1	44
Standardised income on tax allocation reserve	0.0	–9	0.0	–2
Recognised effective tax	**24.0**	**–7,689**	**23.9**	**–7,678**

Parent Company				
Profit before tax		16,535		17,023
Tax in accordance with the applicable tax rate for the Parent Company	21.4	–3,538	22.0	–3,745
Non-deductible expenses	0.2	–37		
Dividends received	–12.2	2,012	–12.4	2,111
Standardised income on tax allocation reserve		–5		–1
Recognised effective tax	**9.5**	**–1,568**	**9.6**	**–1,635**

Group		
Tax attributable to other comprehensive income	**2019**	**2018**
Tax attributable to remeasurement of defined benefit pension plans	126	41
Total	**126**	**41**

Recognised in the balance sheet

Change in deferred tax in temporary differences and loss carryforwards

	As at 01/01/2019	Recognised through profit or loss	Recognised in other comprehensive income	Acquisition/ disposal of business	As at 31/12/2019
Property, plant and equipment	–1,162	101			–1,061
Intangible assets	2,385	–270			2,115
Pension provisions	98	110			208
Untaxed reserves	–2,531	–506			–3,037
Loss carryforwards	1,196	559			1,755
Other	77	–187			–110
Total	**63**	**–193**	**0**	**0**	**–130**

	As at 01/01/2018	Recognised through profit or loss	Recognised in other comprehensive income	Acquisition/ disposal of business	As at 31/12/2018
Property, plant and equipment	–1,274	112			–1,162
Intangible assets	2,521	–136			2,385
Pension provisions	107		–9		98
Untaxed reserves	–1,999	–532			–2,531
Loss carryforwards	360	836			1,196
Other	271	–194			77
Total	**–14**	**86**	**–9**	**0**	**63**

Recognised in the balance sheet

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to:

	Deferred tax 2018			Deferred tax 2018		
	Asset	**Liability**	**Net**	**Asset**	**Liability**	**Net**
Property, plant and equipment	97	–1,158	–1,061	116	–1,278	–1,162
Intangible assets	2,807	–692	2,115	3,100	–715	2,385
Pension provisions	208		208	98		98
Untaxed reserves		–3,037	–3,037		–2,531	–2,531
Loss carryforwards	1,755		1,755	1,196		1,196
Other	31	–141	–110	77		77
Tax assets/liabilities	**4,898**	**–5,028**	**–130**	**4,587**	**–4,524**	**63**
Set-offs	–237	237		–130	130	
Tax assets/liabilities, net	**4,661**	**–4,791**	**–130**	**4,457**	**–4,394**	**63**

Deferred tax assets are recognised for tax loss carryforwards to the extent that it is likely that they can be utilised against future taxable profits. The Group reported deferred tax assets of EUR 1,755,000 (1,196,000), which can be offset against future taxable profits.

NOTE 11 Intangible assets

Group	Licences	Trademarks	Customer relationships	Goodwill	Total
Accumulated cost					
Opening balance 01/01/2018	212	4,134	1,582	85,014	90,942
Exchange differences for the year			71	–1,884	–1,813
Closing balance 31/12/2018	**212**	**4,134**	**1,653**	**83,130**	**89,129**
Accumulated amortisation and impairment					
Opening balance 01/01/2018	–171	–688	–105		–964
Amortisation for the year	–11	–102	–109		–222
Exchange differences for the year			–6		–6
Closing balance 31/12/2018	**–182**	**–790**	**–220**	**0**	**–1,192**
Carrying amounts					
At 01/01/2018	41	3,446	1,477	85,014	89,978
At 31/12/2018	**30**	**3,344**	**1,433**	**83,130**	**87,937**
Accumulated cost					
Opening balance 01/01/2019	212	4,134	1,653	83,130	89,129
Business acquisitions					
Other investments	245				245
Exchange differences for the year			47	–582	–535
Closing balance 31/12/2019	**457**	**4,134**	**1,700**	**82,548**	**88,839**
Accumulated amortisation and impairment					
Opening balance 01/01/2019	–182	–790	–220		–1,192
Amortisation for the year	–97	–100	–107		–304
Exchange differences for the year		6	–7		–1
Closing balance 31/12/2019	**–279**	**–884**	**–334**	**0**	**–1,497**
Carrying amounts					
At 01/01/2019	30	3,344	1,433	83,130	87,937
At 31/12/2019	**178**	**3,250**	**1,366**	**82,548**	**87,342**

The Group had no internally generated intangible assets.

Depreciation is included in the following lines in the income statement

Group	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
Selling expenses	–184	–102
Administrative expenses	–120	–120
Total	**–304**	**–222**

The Group's goodwill comprises strategic business values that have arisen through business acquisitions.

Testing cash-generating units containing goodwill and trademarks for impairment
The following cash-generating units contain goodwill and trademarks:

	Carrying amount	
Goodwill	**2019**	**2018**
Troax	52,948	53,842
Satech	18,932	18,932
Folding Guard	10,668	10,355
Total	**82,548**	**83,129**

Trademarks		
Troax	2,793	2,793
Satech	457	551
Total	**3,250**	**3,344**

Of the Group's trademarks, EUR 3,250,000 were not subject to impairment.

The carrying amount of goodwill and trademarks with indefinite lives are tested for impairment at least annually. The recoverable amount for the cash generating unit is based on its value in use. The value in use is based on the company management's five-year business forecast. Cash flows for subsequent years are based on an assumed annual growth rate of 2% (2%). Important assumptions in the business forecast that affect cash flow estimates are market growth and anticipated price development. These are in line with historical data and external sources of information. The company management has carried out alternative calculations based on reasonably possible changes in key assumptions, such as:

- a 2 percentage point higher discount rate
- halving of the estimated rate of growth during the forecast period.

A change in the discount rate would not result in impairment write-downs for recognised goodwill in the Group. The Group's budget and business plans for the forecast period include increases in sales, gross margin, profits and cash flows. Impairment of goodwill would not be required even if the growth rate were to halve.

The following discount rates (after tax) have been used to calculate the value in use:

Discount rate after tax	2019	2018
Troax	8.5%	8.5%
Satech	8.5%	8.5%
Folding Guard	10.5%	10.5%

NOTE 12 Property, plant and equipment

Group	Buildings and land	Machinery	Equipment	In progress	Total
Accumulated cost					
Opening balance 01/01/2018	11,503	10,440	2,470	1,638	26,051
Capital expenditure during the year		1,929	281	6,772	8,982
Sales and disposals		–39	–483		–522
Reclassifications		1,083	117	–1,200	
Exchange differences for the year	–765	–586	–156	–16	–1,523
Closing balance 31/12/2018	**10,738**	**12,827**	**2,229**	**7,194**	**32,988**
Accumulated depreciation and impairment					
Opening balance 01/01/2018	–2,717	–2,514	–675		–5,906
Depreciation for the year	–451	–1,370	–591		–2,412
Sales and disposals		28	483		511
Exchange differences for the year	375	477	127		979
Closing balance 31/12/2018	**–2,793**	**–3,379**	**–656**		**–6,828**
Carrying amounts					
At 01/01/2018	8,786	7,926	1,795	1,638	20,145
At 31/12/2018	**7,945**	**9,448**	**1,573**	**7,194**	**26,160**
Accumulated cost					
Opening balance 01/01/2019	10,738	12,827	2,229	7,194	32,988
Capital expenditure during the year		252	381	8,285	8,918
Sales and disposals		–827	–548		–1,375
Reclassifications		6,168	23	–6,191	
Exchange differences for the year	–250	–35	–16	–86	–387
Closing balance 31/12/2019	**10,488**	**18,385**	**2,069**	**9,202**	**40,144**
Accumulated depreciation and impairment					
Opening balance 01/01/2019	–2,793	–3,379	–656		–6,828
Depreciation for the year	–451	–1,938	–768		–3,157
Sales and disposals		220	539		759
Exchange differences for the year	97	55	10		162
Closing balance 31/12/2019	**–3,147**	**–5,042**	**–875**		**–9,064**
Carrying amounts					
At 01/01/2019	7,945	9,448	1,573	7,194	26,160
At 31/12/2019	**7,341**	**13,342**	**1,194**	**9,202**	**31,079**

Depreciation and impairment.

Depreciation is included in the following lines in the income statement

Group	2019	2018
Cost of goods sold	–4,690	–1,987
Selling expenses	–96	–52
Administrative expenses	–1,229	–373
Total	**–6,015**	**–2,412**

Of which EUR 2,554 refers to depreciation of right-of-use assets.

NOTE 13 Non-current financial assets

	Group		Parent Company	
Non-current receivables classified as non-current assets	**2019**	**2018**	**2019**	**2018**
Pension investment	1,440	853		
Other	108	168	442	
Total	**1,548**	**1,021**	**442**	

NOTE 14 Right-of-use assets

Group

Carrying amounts in the balance sheet

Right-of-use assets

Buildings	**2019**
Opening balance 01/01/2019 as a result of adoption of IFRS 16	5,512
Leases signed in the reporting year	6,492
Leases terminated in the reporting year	–724
Depreciation for the year	–1,928
Carrying amount as at 31/12/2019	**9,352**

Machinery and equipment	
Opening balance 01/01/2019 as a result of adoption of IFRS 16	1,419
Leases signed in the reporting year	620
Leases terminated in the reporting year	–77
Depreciation for the year	–626
Carrying amount as at 31/12/2019	**1,336**

Lease liabilities	
Current liabilities	2,779
Non-current liabilities	7,735
Total	**10,514**

Carrying amounts in the income statement	
Depreciation of right-of-use assets	
Property	1,937
Machinery and equipment	617
Interest expense	65
Costs attributable to short-term leases (included in cost of goods sold and administrative expenses)	45
Costs attributable to leases where the underlying asset is of low value, which are not short-term leases (included in cost of goods sold and administrative expenses)	15

This section of Note 14 explains the impact on the Group's financial reports of the transition to IFRS 16 Leases

As described in Note 1 above, the Group applies IFRS 16 Leases with effect from 1 January 2019. In accordance with the standard's transition provisions, comparative amounts for 2018 have not been restated. Reclassifications and adjustments resulting from the new leasing rules are therefore recognised in the opening balance as at 1 January 2019. The new accounting policies are described in Note 1.

As a result of the transition to IFRS 16, the Group recognises lease liabilities attributable to leases that were previously classified as operating leases in accordance with the regulations in IAS 17 Leases. These liabilities have been valued at the present value of the remaining lease liabilities. The lessee's incremental borrowing rate as at 1 January 2019 was used for the calculation. The lessee's weighted average incremental borrowing rate applied to these lease liabilities as at 1 January 2019 was approximately 1%.

For leases previously classified as finance leases, the company recognises the carrying amount of the leased asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and lease liability at the transition date. The measurement principles for IFRS 16 are only applied after this date.

Applied practical expedients
IFRS 16 was applied for the first time, the Group used the following practical expedients permitted under the standard:

» Application of a single discount rate to portfolios of leases with similar characteristics.
» A lessee may trust their judgement of whether a lease is onerous as an alternative to performing an impairment review. The Group had no onerous leases as at 1 January 2019.
» Exclusion of direct costs of right-of-use assets at transition.
» Hindsight has been used to determine the lease term when the contract contains options to extend or terminate the lease.

The Group has also chosen not to reassess whether a contract is or contains a lease at the transition date. Instead, the Group has relied on the assessment made in accordance with IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease in respect of leases concluded before the transition date.

Measurement of lease liability	**2019**
Operating lease commitments 31/12/2018	12,168
Discounting using the lessee's incremental borrowing rate at the transition date	11,737
Impact on the balance sheet of contracts signed but not effective	–5,948
Less: short-term leases not recognised as liability	–50
Less: leases for which the underlying asset is of low value and not recognised as liability	–35
Plus/less: adjustments due to different treatment of options to extend and terminate leases	1,227

Lease liability recognised as at 01/01/2019, of which:	**6,931**
Current lease liabilities	2,671
Non-current lease liabilities	4,260

NOTE 15 Inventories

Group	**2019**	**2018**
Raw materials and consumables	3,996	3,685
Work in progress	4,450	3,521
Finished goods and goods for resale	6,080	4,691
Total	**14,526**	**11,897**

Cost of goods sold for the Group includes change in obsolescence reserve of EUR –322,000 (509,000). The closing balance of the inventory reserve in the balance sheet was EUR 666,000 (988,000).

NOTE 16 Trade receivables

Trade receivables were recognised after taking into account credit losses incurred during the financial year, which amounted to EUR 48,000 (159,000) for the Group. The credit losses occurred in connection with management of trade receivables in accordance with the group's credit policy and were recognised as an expense in the income statement for the reporting period.

Credit risks in trade receivables
The risk that the group's customers will not fulfil their obligations, that is, default, represents a customer credit risk. The group's customers are credit checked, whereby information about customers' financial position is obtained from a credit reference agency. The group has drawn up a credit policy on how to manage customer credit. The policy includes information on where decisions regarding customer credit limits of different sizes should be taken, and how evaluation of credits and loss allowance should be managed.

Age analysis, trade receivables past due but not impaired

Group	31/12/2019	31/12/2018
Trade receivables not past due	25,484	25,556
Trade receivables past due 1–30 days	5,670	5,309
Trade receivables past due 31–90 days	2,261	1,268
Trade receivables past due >90 days	1,536	1,069
Credit loss provisions	–826	–730
Total	**34,125**	**32,472**

Change in provisions for loan allowance

Group	31/12/2019	31/12/2018
Opening reserve	–730	–1,153
Realised losses	48	159
Reversal of unused reserves	109	628
Reserves for the year	–247	–375
Translation differences	–6	11
Closing reserve	**–826**	**–730**

Concentration of credit risk in trade receivables
The Group has a limited credit risk per customer. The average purchase per customer and event amounts to EUR 3,000 and the total per year is around EUR 10,000.

NOTE 17 Prepaid expenses and accrued income

Group	31/12/2019	31/12/2018
Prepaid rent/leases	242	160
Insurance	95	60
Energy tax	159	58
Accrued income	1,709	1,759
Other items	1,357	645
Total	**3,562**	**2,682**

NOTE 18 Appropriations

	31/12/2019	31/12/2018
Group contributions	9,570	9,732
Change in tax allocation reserve	–2,200	–2,450
Total	**7,370**	**7,282**

NOTE 19 Earnings per share

Calculation of earnings per share is based on the weighted average number of outstanding ordinary shares (Class A shares).

	Group	
	31/12/2019	**31/12/2018**
Profit for the year attributable to the Parent Company's shareholders	24,352	24,380
Earnings per share	0.41	1.22

Weighted average number of outstanding shares		
Total number of shares as at 1 January	20,000,000	20,000,000
New shares from share split 1:3	40,000,000	0
Number of shares after share split	60,000,000	0
Total number of shares before dilution	**60,000,000**	**20,000,000**
Total number of shares after dilution	**60,000,000**	**20,000,000**

Earnings per share for the comparative year are calculated based on the number of shares at the end of 2018. Earnings per share for the comparative year restated on the basis of the current number of shares amounted to 0.41.

NOTE 20 Equity

Details of equity line item reserves	**Group**	
Translation reserve	**31/12/2019**	**31/12/2018**
Opening translation reserve	–15,276	–12,586
Translation reserve for the year	–613	–2,690
Closing translation reserve	**–15,889**	**–15,276**

Share capital and number of shares		
Reported in number of shares		
Issued as at 1 January	20,000,000	20,000,000
Issued as at 31 December – paid	**60,000,000**	**20,000,000**

During the reporting year the company implemented a share split at a ratio of 1:3, resulting in an increase in the number of shares in the company to 60,000,000.

Note 20 cont.

Breakdown of registered share capital:

Reported in number of shares	**Voting right at AGM**	**2019**	**2018**
Class A shares (ordinary shares)	1 vote per share	60,000,000	20,000,000
		60,000,000	**20,000,000**

As at 31/12/2019, the registered share capital comprised 60,000,000 (20,000,000) ordinary shares and no preference shares.

Holders of ordinary shares (Class A) are entitled to dividends as they are approved.

Other paid-in capital
Refers to equity contributed by owners. This includes premiums paid in connection with issues, option premiums and share buybacks.

Reserves
Translation reserve
The translation reserve comprises all exchange differences arising from the translation of the financial statements of foreign operations which prepare their financial statements in a currency other than the currency in which the consolidated financial statements are presented. The consolidated financial statements are presented in Euros.

Retained earnings including profit for the year
Retained earnings, including profit for the year, includes accrued earnings in the Parent Company and its subsidiaries.

Capital management
The group strives to maintain a good financial position that contributes to retaining the confidence of lenders and the market and that provides a foundation for continued development of business activities. The group defines managed capital as total recognised equity.

Parent Company
Non-restricted equity
The following funds together with profit for the year constitute non-restricted equity, i.e. the amount that is available for dividends to shareholders.

Share premium reserve
When shares and other equity instruments are issued at a premium, received premiums and amounts exceeding the shares' quota value are transferred to the share premium reserve. Amounts transferred to the share premium reserve with effect from 20 December 2012 are included in non-restricted equity.

Retained earnings
Retained earnings comprise the previous year's retained earnings and profit for the year after deduction of dividends for the year.

NOTE 21 Interest-bearing liabilities

This Note contains information on the company's contractual terms and conditions concerning interest-bearing liabilities. For more information on the company's exposure to interest risk and risk of exchange rate changes, see Note 25.

	Group		**Parent Company**	
Non-current liabilities	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Bank loans	69,000	69,000	69,000	69,000
Lease liabilities	10,515			
	79,515	**69,000**	**69,000**	**69,000**

	Currency	**Nom. interest %**	**Maturity**	**Nominal value**	**Carrying amount**	**Nominal value**	**Carrying amount**
Bank loans	EUR	Euribor +0.80	30/06/2022	69,000	69,000	69,000	69,000
Total interest-bearing liabilities					**69,000**		**69,000**

The Group is financed through a bank loan. The loan is currently not subject to repayment but the Group has the facility to make repayments if it would prefer to do so. Interest is paid quarterly to the bank and the interest at the balance sheet date corresponded to EURIBOR plus 0.8%.

NOTE 22 Provisions for pensions

Overview of defined benefit plans
The Group has defined benefit plans in Sweden, Italy and France. The majority of the Swedish pension plans are defined benefit plans, which correspond to an unfunded liability to PRI Pensionsgaranti. Pension obligations in Italy and France comprise the statutory severance pay that all employees receive on retirement.

The defined benefit plans are exposed to actuarial risks such as life expectancy, currency, interest and investment risks.

The information below refers to all the above plans together.

Changes in present value of obligation relating to defined benefit plans

Group	**2019**	**2018**
Obligation relating to defined benefit plans as at 1 January	4,452	4,026
Cost relating to service in the current period	254	116
Interest expense	104	100
Remeasurement		
Actuarial gains and losses on changed financial assumptions	643	418
Pensions paid	–170	–73
Exchange differences	–55	–135
	5,228	**4,452**

Distribution of pension obligations

	2019	**2018**
Sweden	3,962	3,339
Italy	1,193	1,024
France	73	89
	5,228	**4,452**

Expense recognised through profit or loss

Group	**2019**	**2018**
Costs relating to service in the current period	–254	–116
Interest expense on the obligation	–104	–100
Total net expense in the income statement	**–358**	**–216**
Expense recognised in other comprehensive income		
Remeasurement:		
Actuarial gains (-) and losses (+)	–643	–418
Net amount recognised in other comprehensive income	**–643**	**–418**

Assumptions relating to defined benefit obligations
The most significant actuarial assumptions as at the balance sheet date (expressed as weighted averages)

	2019	**2018**
Discount rate as at 31 December	1.60%	2.50%
Future salary increases	2.50%	2.50%
Future pension increases	3.0%	2.0%
Inflation	1.8%	2.0%

Note 22 cont.

Impact on future cash flows
As at 31 December 2019, the cash flow duration used for calculating the obligation was 19 years.

The Group estimates that EUR 110,000 will be allocated in 2020 to funded and unfunded defined benefit plans that are recognised as defined benefit plans. EUR 789,000 is expected to be paid in 2020 to defined benefit and defined contribution plans in Sweden that are recognised as defined contribution plans.

Obligations relating to retirement pensions and family pensions for white-collar staff in Sweden are secured through insurance with Alecta. According to the Swedish Financial Reporting Board's statement UFR 10, this is a defined benefit plan that comprises several employers. In the financial year 2019, the company did not have access to information that makes it possible to recognise this plan as a defined benefit plan. The pension plan in accordance with ITP that is secured through an insurance in Alecta is therefore recognised as a defined contribution plan. In the reporting period, annual contributions to pension insurance policies with Alecta amounted to EUR 502,000 (460,000). Alecta's surplus can be distributed to the policyholders and/or the insured. At the end of 2019, Alecta's surplus in the form of the collective funding ratio was 148% (142). The collective funding ratio comprises the market value of Alecta's assets as a percentage of insurance obligations calculated using Alecta's actuarial assumptions, which do not correspond to IAS 19.

Defined contribution plans
In Sweden, the group has defined contribution pension plans for workers that are fully paid by the company. Abroad, there are defined contribution plans which are partly paid for by the subsidiaries and partly covered through contributions paid by the employees. Payments to these plans are made on an ongoing basis in accordance with the rules of the respective plans. Next year's anticipated contributions to defined benefit plans that comprise several employers but are recognised as if the plan was a defined contribution plan, amount to EUR 49,000 (48,000).

NOTE 23 Accrued expenses and deferred income

	Group	
	31/12/2019	**31/12/2018**
Accrued interest expense	30	26
Accrued wages, salaries and remuneration	1,753	1,914
Accrued holiday pay	1,695	1,316
Accrued social security contributions	1,457	1,226
Audit fees	54	119
Consultancy fees	53	52
Rent	60	234
Other items	2,383	2,196
Total	**7,485**	**7,083**

NOTE 24 Other liabilities

	Group	
Other current liabilities	**2019**	**2018**
Employee-related liabilities	1,828	2,452
VAT liabilities	387	1,277
Fair value, currency derivatives		160
Other liabilities	594	249
Total	**2,809**	**4,138**

NOTE 25 Financial risk management and financial instruments

Financial policy and financial risk management
The group's management of financial risks is based on a financial policy established by the Board that seeks to achieve a low level of risk through efficient management and control of the Group's financial risks. Through its business activities, the Group is exposed to currency risk, interest risk, liquidity risk and financing risk.

Currency risk
Exposure to currency risk can be divided into transaction exposure and translation exposure.

Transaction exposure
Transaction exposure is the risk of a negative effect on the group's performance due to changes in currency exchange rates that affect the value of commercial transactions in a foreign currency in relation to the functional currency of the Group company that carries out the transaction. The Group's transaction exposure is managed as far as possible by matching inflows and outflows in the same currency. The remaining exposure is managed through the use of currency derivatives.

According to the financial policy, 60–80% of projected net inflows or outflows in currencies that have a material impact on the Group must be hedged. Hedging should be done on an ongoing basis over a time horizon of 12 to 24 months into the future. The currencies to which the Group primarily has transaction exposure are SEK, USD and GBP against EUR. The Group has positive net inflows in these currencies. Transaction exposure to USD, GBP, SEK and other currencies is estimated to have only a minor impact on the Group's financial performance and position.

According to the financial policy, currency futures and currency options may be used as hedging instruments. As at the balance sheet date the company only had outstanding currency futures.

The Group does not apply hedge accounting. All changes in the fair value of currency futures are thus recognised immediately through profit or loss for the period in which they occur.

The fair value of net outstanding currency derivatives as at the balance sheet date was EUR 86,000 (–160,000). In the financial year, net gains (+) / net losses (–) on futures amounted to EUR 246,000 (205,000) before tax.

Translation exposure
Translation exposure occurs as a result of the translation of the balance sheets and income statements of subsidiaries that do not use the EUR as their functional currency, since the group uses EUR as its presentation currency. The Group's primary translation exposure is in SEK against EUR, since significant parts of the Group's net assets are in Swedish kronor. Translation exposure is not hedged.

Sensitivity analysis, currency risk
A five per cent increase in the Swedish krona against the Euro would have a negative impact on the Group's financial performance of around EUR –1,500,000 (–1,500,000).

Interest risk
Interest risk is the risk that a change in market rates will have a negative impact on performance. Since June 2017, Troax has borrowed EUR 69 million in the form of a bank loan. The loan carries a variable interest rate corresponding to the 3-month EURIBOR plus a margin of 0.80%. If the EURIBOR is negative, interest is calculated using only the margin. Changes in the EURIBOR therefore have an impact on the Group's net financial income/expense.

An increase in EURIBOR of 100 basis points would result in an increase in interest expense of EUR 690,000 (690,000) before tax, based on the company's debts on the balance sheet date and taking outstanding hedges into account.

The Group does not apply hedge accounting.

Liquidity and financing risk
Liquidity and financing risk is the risk that the Group will not have access to financing to be able meet its contractual obligations, or that this could only be obtained at a significantly increased cost. According to the financial policy, the Group's cash and cash equivalents, plus overdraft facilities, must amount to at least EUR 5 million. As at the balance sheet date, cash and cash equivalents totalled EUR 30.4 million (22.7). The Group and Parent Company have access to a central overdraft facility, which at the balance sheet date amounted to EUR 10 million (10).

The table below shows the maturity structure of the Group's financial liabilities, including derivative liabilities. For each period, the maturity of the principal and payment of interest is shown. For liabilities that have variable interest rates, future interest payments have been estimated on the basis of the variable spot rate prevailing on the balance sheet date.

Note 25 cont.

2019	2020	2021	2022	2023 and later
Interest-bearing liabilities				
Non-current, interest-bearing liabilities			69,000	
Lease liabilities according to IFRS 16	2,779	1,802	1,430	4,503
Interest	552	552	276	
Non-interest-bearing liabilities				
Trade payables	19,708			
Other current liabilities				
Currency derivatives	−86			
Liabilities that are not derivatives	5,559			
Accrued expense	7,485			
Total	**35,997**	**2,354**	**70,706**	**4,503**

Interest-bearing liabilities above refer to both the Group and the Parent Company.

2018	2019	2020	2021	2022 and later
Interest-bearing liabilities				
Non-current, interest-bearing liabilities		69,000		
	621	473		
Interest				
Non-interest-bearing liabilities				
Trade payables	15,886			
Other current liabilities	160			
Currency derivatives	7,670			
Liabilities that are not derivatives				
Accrued expense	7,057			
Total	**31,394**	**69,473**	**0**	**0**

Interest-bearing liabilities above refer to both the Group and the Parent Company.

In the financial statements we have used forecasts for Euribor for the years 2020–2021.

Year	2020	2021
Euribor %	−0.40	−0.40

NOTE 26 Operating leases

Lease agreement where the company is lessee	Group
Future payments for non-cancellable leases amount to, in EUR thousand:	**31/12/2018**
Within one year	2,793
Later than one year but not later than five years	6,270
Later than five years	3,105
	12,168

Of the group's operating leases, the majority relate to rental agreements for properties and premises where activities are carried out.

Lease payments for operating leases recorded as expenses amounted to:	
Minimum lease payments	2,481
Total lease expenses	**2,481**

NOTE 27 Investment commitments

Troax is continuously investing in maintenance of production facilities and production equipment. In addition to maintenance capital expenditure, the company is investing in expanding or upgrading production facilities in order to increase productivity and/or capacity. In the reporting year 2020, investments primarily comprised structural alterations at the plant in Hillerstorp.

NOTE 28 Pledged assets, contingent liabilities and contingent assets

Neither the Group nor the Parent Company had any contingent liabilities in either 2019 or 2019.

Troax's previous activities have resulted in an elevated level of trichloroethylene in the groundwater at the property in Hillerstorp in Sweden. In spring 2015, an investigation that involved drilling to determine the environmental impact of the previous activities was concluded. In June 2015, the Planning and Community Committee in Gnosjö Municipality decided on a control programme regarding chlorinated solvents in the groundwater at selected test sites. Test results from the samples, which are currently carried out on a six-monthly basis, at present show levels that in normal circumstances would not give rise to further measures. The test results from the previous drillings are not sufficient to predict or determine with any certainty what the end result will be. At the time of presenting these financial statements, the company has not made any provisions as a result of this environmental issue. Based on historical data relating to the cost of decontamination and post-treatment measures, for instance on the basis of the Swedish Environmental Protection Agency's report 5663, February 2007, the company estimates that the financial risk should not exceed EUR 1.0 million. If the outcome of the above-mentioned studies is that further measures must be taken, this amount may prove too low.

Pledged assets	**Group**		**Parent Company**	
In the form of pledged assets for liabilities and provisions	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Floating charges	1,914	1,946	0	0
Total pledged assets	**1,914**	**1,946**	**0**	**0**

NOTE 29 Participations in Group companies

Holdings in Group companies	Group company's registered office, country	31/12/2019 Participating interest, %	31/12/2018 Participating interest, %
Troax AB	Gnosjö, Sweden	100.0%	100.0%
Troax Nordic AB	Gnosjö, Sweden	100.0%	100.0%
Troax UK Ltd	Swindon, UK	100.0%	100.0%
Troax Lee Manuf. Ltd	Swindon, UK	100.0%	100.0%
Troax Italy SRL	Genoa, Italy	100.0%	100.0%
Troax Schweiz AG	Altendorf, Switzerland	100.0%	100.0%
Troax Inc.	Nashville, USA	100.0%	100.0%
Folding Guard	Chicago, USA	100.0%	100.0%
Troax Nordic AS	Oslo, Norway	100.0%	100.0%
Troax SA	Chambèry, France	100.0%	100.0%
Troax BV	Lisse, Netherlands	100.0%	100.0%
Troax GmbH	Niedernhausen, Germany	100.0%	100.0%
Troax Güvenik Sistem	Istanbul, Turkey	100.0%	100.0%
Troax Shanghai System	Shanghai, China	100.0%	100.0%
Troax Denmark A/S	Ishöj, Denmark	100.0%	100.0%
Troax System SL	Barcelona, Spain	100.0%	100.0%
Troax Safety Systems Poland Sp.z.o.o	Klodawa, Poland	100.0%	100.0%
Satech Safety Technology SPA	Milan, Italy	100.0%	100.0%
Satech Safety Technology Sarl	Lyon, France	100.0%	100.0%
Satech Safety Technology GmbH	Stuttgart, Germany	100.0%	100.0%
Satech K.K	Tokyo, Japan	100.0%	100.0%
Lagermix Rullportar AB	Gnosjö, Sweden	100.0%	100.0%
Troax Safety Systems Co., Ltd.	Tokyo, Japan	100.0%	100.0%
Troax Safety Systems India	Bangalore, India	100.0%	100.0%

Troax Group AB (publ) owns all the shares in Troax AB.
Other Group companies are directly or indirectly owned by Troax AB.

	31/12/2019	31/12/2018
Opening cost	87,694	87,694
Carrying amount as at 31 December	**87,694**	**87,694**

Analysis of the Parent Company's direct holding of shares in subsidiaries

Subsidiary / Corporate ID no. / Registered office	Number of shares	Participation, %	31/12/2019 Carrying amount	31/12/2018 Carrying amount
Troax AB / 556093-5719 / Gnosjö, Sweden	1,046,800	100	87,694	87,694
			87,694	**87,694**

NOTE 30 Related parties

Related parties
The Parent Company has a related party relationship with its subsidiaries, see Note 29. The Parent Company's sales in both 2019 and 2018 exclusively comprised sales to Group companies. No purchases were made from Group companies.

Transactions with key management personnel
Wages, salaries and other remuneration to key management personnel are shown in Note 6.

NOTE 31 Untaxed reserves

	31/12/2019	31/12/2018
Tax allocation reserve	6,527	4,327
Total	**6,527**	**4,327**

NOTE 32 Analysis of the statement of cash flows

Cash and cash equivalents	**Group**		**Parent Company**	
The following sub-components are included in cash and cash equivalents:	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Cash in hand and at bank	30,374	22,157		
Total according to the cash flow statement	**30,374**	**22,157**		
Adjustments for non-cash items				
Depreciation/amortisation	6,015	2,634		
Provisions for pensions	187	100		
Other provisions	1,550	–51		
Change in value, derivatives	88			
Total	**7,840**	**2,683**		

NOTE 33 Information about the Parent Company

Troax Group AB (publ), corporate identity number 55 69 16-4030, is a Swedish registered limited company whose registered office is in Gnosjö in Sweden. The address for the head office is Box 89, SE-335 04 Hillerstorp, Sweden. The consolidated financial statements for 2019 comprise the Parent Company and its subsidiaries, together known as the Group.

NOTE 34 Proposed appropriation of profits

Non-restricted equity in the Parent Company in EUR thousand:	
Share premium reserve	26,513
Retained earnings	–877
Profit for the year	14,967
Total	**40,603**

The Board's opinion on the proposed distribution of profits

The Board of Directors proposes that a dividend of EUR 0.19 (EUR 0.16) per share, a total of EUR 11.4 million (EUR 9.4), be paid to shareholders. The proposed dividend to shareholders will reduce the company's equity/assets ratio to 28.9% and the consolidated equity/assets ratio to 40.3%. The equity/assets ratio is satisfactory in view of the fact that the operations of the company and Group remain profitable. It is estimated that liquidity in the company and Group can be maintained at an equally satisfactory level. It is the Board's view that the proposed distribution does not prevent the company, or other companies in the Group, from fulfilling their short-term or long-term obligations, nor from completing required investments. The proposed distribution is therefore justifiable with regard to what is recommended in the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2–3 (the rule of caution).

The record date for dividend payments is 27 April 2020.

NOTE 35 Profit/loss from participations in Group companies

	2019	2018
Dividends	9,401	9,596
Total	**9,401**	**9,596**

ASSURANCE

We hereby confirm that to the best of our knowledge, the financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the company's financial position and results, and that the Directors' Report provides a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties facing the company.

We hereby also confirm that to the best of our knowledge, the consolidated financial statements have been prepared in accordance with international financial reporting standards, adopted pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and provide a true and fair view of the Group's financial position and results, and that the Directors' Report for the Group provides a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties facing the Group.

HILLERSTORP 25 MARCH 2020

FREDRIK HANSSON
Board member

BENGTH HÅKANSSON
Employee representative

THOMAS WIDSTRAND
CEO

ANNA STÅLENBRING
Board member

JAN SVENSSON
Chairman

BERTIL PERSSON
Board member

EVA NYGREN
Board member

MILENKO SIMIC
Employee representative

As stated above, the financial statements and consolidated financial statements were authorised for issue by the Board of Directors on 25 March 2020. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet are subject to adoption by the Annual General Meeting on 23 April 2020.

We submitted out audit report on 25 March 2020.
Öhrlings PricewaterhouseCoopers AB

JOHAN PALMGREN
Authorised Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of Troax Group AB (publ), **CORPORATE IDENTITY NUMBER 55 69 16-4030**

REPORT ON THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

OPINIONS

We have audited the financial statements and consolidated financial statements of Troax Group AB (publ) for 2019. The Company's financial statements and consolidated financial statements are included on pages 8–52 of this document.

In our opinion, the financial statements have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Swedish Annual Accounts Act. The Directors' Report is consistent with the other parts of the financial statements and consolidated financial statements.

We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet of the Parent Company and the consolidated income statement and balance sheet.

Our opinions in this report on the financial statements and consolidated financial statements are consistent with the contents of the additional report that has been submitted to the Board of Directors of the Parent Company and the Group in accordance with Article 11 of the Audit Regulation 537/2014.

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 these standards are further described in the section Auditor's responsibilities. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014), Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Focus and scope of the audit

We designed our audit by determining materiality and assessing the risk of material misstatements in the financial statements. In particular, we considered matters where the CEO and Board of Directors made subjective judgements, for instance, in respect of significant accounting estimates that involved making assumptions and forecasts about future events that are inherently uncertain. As in all audits, we also considered the risk of override of internal controls by the Board of Directors and CEO, including, among other things, consideration of whether there was evidence of systematic deviations that represented a risk of material misstatements due to fraud.

We tailored our audit in order to perform audit procedures that were appropriate for the purpose of being able to give an opinion on the financial statements as a whole, taking into account the Group's structure, financial reporting procedures and controls, as well as the industry sector in which the Group operates.

We designed our audit strategy for the Group on the basis of the nature and risks of the business. Because Troax's business model comprises centralised manufacture and distribution, this means that the number of entities that make up the majority of the Group are the manufacturing units and the largest sales companies. When determining the extent of the audit to be conducted at each component, we took into account the size of each component and also the specific risk represented by the respective components.

Taking the nature and risks of the business as our starting point, we decided, in consultation with the Board of Directors and senior management, that a complete audit would be conducted for the largest manufacturing companies and sales companies, while in the case of less significant companies, we instructed the auditors of the respective components to perform separately defined audit procedures. For remaining entities that were deemed to be individually non-significant, analytical procedures were performed by the group team.

Materiality

The scope of the audit was influenced by our assessment of materiality. An audit is designed to obtain a reasonable level of assurance about whether the financial statements are free from material misstatements. Misstatements can arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and consolidated financial statements.

Based on our professional judgement, we established certain quantitative material disclosures, including the financial statements as a whole. On the basis of these disclosures and qualitative assessments, we established the scope of the audit and the nature, timing and extent of our audit procedures, and evaluated the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and consolidated financial statements for the reporting period. These matters were addressed in the context of our audit of the financial statements and consolidated financial statements as a whole, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Measurement of intangible assets with indeterminate useful lives and goodwill

Troax describes its approach to measurement of intangible assets with indeterminate useful lives and goodwill under Note 1 ***(q)*** "Accounting policies and measurement principles" and under Note 11 to the financial statements.

Intangible assets with indeterminate useful lives and goodwill account for a significant proportion of the Group's total assets. Because these assets are not amortised on a continuous basis, Troax must instead test these assets for impairment on an annual basis. Troax performed impairment testing in the fourth quarter of 2019.

Impairment testing must include assumptions about, among other things, future sales, margins, tied-up capital and discounting factors. The company management and Board therefore have to make complex judgements and estimates.

To make judgments on measurement, Troax has also carried out simulations and sensitivity analyses in order to understand how a change in different assumptions affects impairment testing.

Because the amount of the assets is significant, and because the required assumptions include judgements and estimates, each of which individually could have a significant impact on measurement, this is a key audit matter.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We found that the established impairment tests, for each cash generating unit, had been conducted in accordance with established principles and methods. We used specialists to assist us in assessing assumptions in the company's policies and methods.

Key assumptions used for impairment testing by the company management and the Board concerned sales, profitability and discount rates. We assessed these assumptions by comparing them against budget and strategic plan, and also against historical performance. We also carried out an independent assessment based on the economic conditions for the cash generating units. We evaluated discount rates against observable market data.

We also examined whether key assumptions were consistent with previous years.

We evaluated the sensitivity analyses that have been performed and evaluated whether these analyses formed the basis for the information reported in Note 11 to the financial statements.

Finally, as an overall control measure, we compared the market capitalisation of the company with the calculated recoverable value.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

This document also contains information other than the financial statements and consolidated financial statements and is found on pages 1–7 and 64–73. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the financial statements and consolidated financial statements does not include this information and we do not and will not express an opinion verifying this other information.

In connection with our audit of the financial statements and consolidated financial statements, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the financial statements and consolidated financial statements. 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, based on the work we have performed in respect of this information, we 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 CEO

The Board of Directors and CEO are responsible for the preparation and fair presentation of the financial statements and consolidated financial statements in accordance with the Swedish Annual Accounts Act and, in respect of the consolidated financial statements, in accordance with IFRS, as adopted by the EU. The Board of Directors and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements and consolidated financial statements, the Board of Directors and CEO are responsible for assessment of the company's and Group's ability to continue as a going concern. They disclose, where appropriate, information on conditions that may affect the ability to continue as a going concern and to use the going concern basis of accounting. However, the going concern basis of accounting is not used if the Board of Directors and CEO intend to liquidate the company, discontinue operations or do not have a realistic alternative to either of these actions.

The Board's Audit Committee shall, without prejudice to the Board's responsibilities and tasks in other respects, among other things, monitor the company's financial reporting.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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 ISA 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and consolidated financial statements.

A more detailed description of our responsibilities for the audit of the financial statements and consolidated financial statements is available on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the Auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

In addition to our audit of the financial statements and consolidated financial statements, we audited the Board of Directors' and CEO's administration of Troax Group AB (publ) for the financial year 2019 and the proposed appropriation of the company's profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated as proposed in the Directors' Report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in accordance with these is described further in the section Auditor's responsibilities. 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 CEO

The Board of Directors is responsible for the proposed appropriation of the company's profit or loss. Dividend proposals include an assessment of whether the dividend is justifiable considering the demands that the nature, scope and risks of the Group's operations place on the amount of equity in the Parent Company and the Group, and on the consolidation requirements, liquidity and financial position in general of the Parent Company and the Group.

The Board is responsible for the organisation of the company and the management of the company's affairs. Among other things, this includes continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed such that accounting, asset management and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall be responsible for day-to-day management in accordance with the Board's guidelines and directives and among other things take the measures necessary to ensure that the company's accounting is carried out according to legal requirements and that asset management is conducted in a satisfactory manner.

AUDITOR'S RESPONSIBILITIES

Our objective for the audit of the administration, and thereby our opinion on discharge from liability, is to obtain audit evidence to enable us to determine with reasonable assurance whether any member of the Board or the CEO has, in any material respect:

- taken any action or been guilty of any negligence that may result in a claim for compensation being brought against the company
- in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriation of the company's profit or loss, and thereby our opinion on this matter, is to determine with reasonable assurance whether the proposal is consistent with the Swedish 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 which may give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not consistent with the Swedish Companies Act.

A more detailed description of our responsibilities with regard to the audit of the administration is available on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the Auditor's report.

Öhrlings PricewaterhouseCoopers AB, SE-113 97 Stockholm, was appointed auditor of Troax Group AB (publ) by the Annual General Meeting on 14 May 2019 and has served as the company's auditor since 12 December 2012. In spring 2015, the company became a public interestentity.

Gothenburg, 25 March 2020
Öhrlings PricewaterhouseCoopers AB

JOHAN PALMGREN
Authorised Public Accountant
Auditor in Charge

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE
Troax Group AB (publ) ("Troax" or "The Company") is a Swedish public limited company. The company's shares were admitted to trading on Nasdaq Stockholm on 27 March 2015 and since then the Company applies the Swedish Code for Corporate Governance ("the Code"). The guidelines relating to the Code can be found on the website of the Swedish Corporate Governance Board (www.bolagsstyrning.se). The Code is based on the principle "comply or explain", which means that companies applying the Code may deviate from individual rules provided they give an explanation for the deviation. Troax did not deviate from the Code in 2019.

SHARE CAPITAL AND SHAREHOLDERS
The share capital at year-end amounted to EUR 2,574,618, comprising 60,000,000 shares. In the financial year the company carried out a share split at a ratio of 3:1, resulting in the number of shares rising from 20,000,000 to 60,000,000. All shares carry the same number of votes. At the end of 2019, Investmentaktiebolaget Latour owned 18,060,000 shares (6,020,000), corresponding to 30.1% (30.1%) of the equity and votes. The ten largest shareholders together owned 74.5% (70.0%) of the shares in the company. For further information about the share and shareholders, see www.troax.com.

ANNUAL GENERAL MEETING
According to the Swedish Companies Act (2005:551), the General Meeting of shareholders is the company's highest decision-making body. At General Meetings shareholders exercise their voting rights on key issues such as adoption of the income statement and balance sheet, appropriation of the Company's profit or loss, discharge from liability of the members of the Board and the CEO, election of Board members and auditors and remuneration of the Board and auditors. The Articles of Association do not contain any separate restrictions on the appointment or removal of a Board member or amendment of the Articles of Association. Nominations of Board members comply with the instructions issued by the Annual General Meeting in 2019.

The Annual General Meeting must be held within six months of the end of the financial year. In addition to the Annual General Meeting, extraordinary general meetings may be called. In accordance with the Articles of Association, notice of a general meeting of shareholders must be given through an advertisement in the official gazette Post- och Inrikes Tidningar and notice of the meeting must be made available on the company's website. At the time of the notice, information that notice has been given must be published in the Swedish newspaper Svenska Dagbladet.

RIGHT TO PARTICIPATE IN GENERAL MEETINGS OF SHAREHOLDERS
Shareholders who want to participate in a general meeting must be entered in the share register maintained by Euroclear Sweden on the day five working days before the meeting, and must notify the Company of their attendance not later than on the date stated in the notice of the general meeting. Shareholders can attend general meetings in person or through a proxy and can also be assisted by up to two people. Normally, shareholders have an opportunity to notify the company of their intention to attend the general meeting in several different ways, which are stated in the notice. Shareholders are entitled to use all the voting rights attached to their shareholding in the company.

SHAREHOLDER INITIATIVES
Shareholders who wish to have a matter considered by the meeting must submit a written request to the Board. Such a request must normally be received by the Board not later than seven weeks before the general shareholders' meeting.

ANNUAL GENERAL MEETING 2019
The 2019 Annual General Meeting was held on 14 May. The Annual General Meeting elected six Board members, including Chairman of the Board, Jan Svensson, and appointed a Nomination Committee, see below under "Nomination Committee". At total of 60.49% (66.06%) of the shares and votes in the company were represented at the Annual General Meeting. The financial statements and accompanying Auditor's report were presented to the Annual General Meeting and adopted, while the Board and CEO were granted discharge from liability. The Annual General Meeting also decided that fees totalling SEK 1,540,000 (SEK 1,420,000) will be paid to the Board, plus SEK 250,000 (SEK 200,000) for committee work, and that the elected auditors will receive payment against an approved invoice. The Annual General Meeting also authorised the Board, in the period until the next Annual General Meeting, to take a decision on one or more occasions on purchase of own shares, to carry out a share split at a ratio of 3:1, and also passed a resolution on a share option scheme for senior executives.

NOMINATION COMMITTEE
Companies that adhere to the Code must have a Nomination Committee. With effect from 2019, the Nomination Committee is appointed on the basis of ownership of the company as at the last banking day in August. According to the Code, the Nomination Committee must comprise at least three members, of which a majority shall be independent in relation to the company and the Group management.
At least one of the Nomination Committee's members must be independent in relation to the company's largest shareholder in terms of voting power or in relation to a group of shareholders that cooperate on the company's management. The Nomination Committee shall prepare its recommendations taking into account that the composition of the Board must be appropriate in view of the company's business, stage of development and other relevant circumstances. The Board members must together offer diversity and breadth in terms of qualifications, experience and background.

The Nomination Committee for the 2020 Annual General Meeting comprises Jan Svensson (Chairman of the Board), Johan Hjertonsson (representing shareholder Latour and Chairman of the Nomination Committee), Jan Särlvik (representing shareholder Nordea Funds) and Lilian Fossum Biner (representing shareholder Handelsbanken). The Nomination Committee's mandate remains in force until a new Nomination Committee has been appointed.

BOARD OF DIRECTORS
The Board of Directors is the company's next highest decision-making body after the General Meeting of shareholders. In accordance with the Swedish Companies Act, the Board is responsible for the company's administration and organisation, which means that the Board is responsible for, among other things, establishing goals and strategies, safeguarding procedures and systems for evaluation of established goals, continuously evaluating the company's results and financial position, as well as evaluating the operational management. The Board is also responsible for ensuring that the annual report and interim reports are prepared in a timely manner. The Board also appoints the CEO.

Board members are normally elected by the Annual General Meeting for the period until the end of the next Annual General Meeting. According to the company's Articles of Association, the Board must, to the extent it is elected by the Annual General Meeting, comprise at least four members and not more than eight members, with up to four deputy members. In accordance with the Code, the Chairman of the Board must be elected by the Annual General Meeting and have special responsibility for management of the Board's work and for ensuring that the Board's work is well-organised and performed in an effective manner. The persons elected to the Board of Directors at the Annual General Meeting in 2019 are shown on pages 64–65. It is the Nomination Committee's opinion that the composition of the Board of Directors is appropriate in view of the company's business, financial position, stage of development and other circumstances. An important basis for nomination of board members is that the composition of the board must reflect and accommodate the various skills and experiences that may be required for the company's strategic development and governance. In particular, the Nomination Committee has taken into account the requirement for diversity and breadth on the board, as well as the need to strive for equal gender distribution. According to the Nomination Committee, the composition is appropriate for the purpose of meeting such requirements in the company's business. The Nomination Committee has chosen to apply rule 4.1 of the Corporate Governance Code as its diversity policy.

The Board of Directors adheres to written rules of procedure that are revised annually and established at the first scheduled board meeting following election. The rules of procedure govern such matters as board practices, functions and the division of responsibilities between Board members and the CEO. In connection with the board meeting following election, the Board shall establish the terms of reference for the CEO relating to financial reporting.

The Board meets in accordance with an annually established schedule. In addition to these board meetings, additional board meetings can be convened in order to deal with matters that cannot be referred to an ordinary board meeting. In addition to board meetings, the Chairman of the Board and the CEO maintain a continuous dialogue concerning management of the company.

During the reporting year the Board met four times. For attendance in 2019, see separate table. Agendas for board meetings, together with the documentation that is required in accordance with the rules of procedure, are sent out to Board members approximately one week before the meeting. In addition to this documentation, Board members receive monthly continuous follow-up of financial performance and other relevant information.

The Chairman of the Board and CEO discuss and decide issues for the respective meetings before these take place. The Company's CFO regularly participates in the company's board meetings. In addition to this member of the Group management, others can participate in the meetings if so desired or required.

The company's Board currently comprises six ordinary members and two employee representatives, who are presented in the section "Board of Directors, senior executives and auditors".

AUDIT COMMITTEE

The Board has decided to work via an Audit Committee chaired by chairman Anna Stålenbring, and this Committee held four meetings in 2019. The primary duties of the Audit Committee include:

» overseeing the company's financial reporting
» overseeing the effectiveness of the company's internal control, internal audit and risk management
» keeping informed about the audit of the financial statements and the consolidated financial statements
» reviewing and monitoring the auditor's impartiality and independence, paying particular attention to whether the auditor provides the company with other services than audit services
» assisting with preparing proposals to the Annual General Meeting for the election of auditors.

REMUNERATION COMMITTEE

The Board decided to appoint a Remuneration Committee for 2019, and to appoint Jan Svensson chairman of the Committee. The Remuneration Committee met twice in 2019. In terms of remuneration issues for 2019, this meant that the Committee:

» prepared suggestions concerning remuneration principles, remuneration and other employment terms and conditions for the CEO and senior executives
» reviewed and evaluated existing and completed variable remuneration programmes for the company's management
» reviewed and evaluated the application of guidelines for remuneration of senior executives, as decided by the Annual General Meeting, and other remuneration structures and remuneration levels within the company.

EVALUATION OF THE BOARD'S WORK

The Chairman of the Board of Directors is responsible for evaluation of the Board's work, including assessment of individual Board members' performances. This is carried out on an annual basis according to an established procedure. The assessment focuses on factors such as availability of, and requirements for, specific competence within the Board, commitment, the quality of the Board material and time for reading the same. The results of the evaluation are reported to the Nomination Committee and form the basis for the Nomination Committee's proposals for board members and fees for the Board.

CEO AND OTHER SENIOR EXECUTIVES

The CEO is subordinate to the Board of Directors and is responsible for the company's ongoing management and day-to-day operations. The division of responsibilities between the Board of Directors and the CEO is set out in the rules of procedures for the Board and the terms of reference issued to the CEO. The CEO is also responsible for preparing reports and compiling information from management ahead of board meetings, and for presentation of the material at board meetings.

In accordance with the instructions for financial reporting, the CEO is responsible for the company's financial reporting and must consequently ensure that the Board receives correct information in order to be able to evaluate the company's financial position.

The CEO must continuously keep the Board informed about the development of the company's operations and sales, results and financial position, cash flows, credit status, significant business events and all other events, circumstances or conditions that can be assumed to be important to the company's shareholders.

The CEO and the senior executives are presented in the section "Board of Directors, senior executives and auditors".

REMUNERATION OF BOARD MEMBERS, THE CEO AND SENIOR EXECUTIVES

REMUNERATION FOR BOARD MEMBERS

Decisions on fees and other remuneration for Board members, including the chairman, are taken by the Annual General Meeting. Remuneration of the Chairman of the Board was determined at SEK 540,000, with a fee of SEK 250,000 to be paid to each of the Board members Bertil Persson, Anna Stålenbring, Eva Nygren and Fredrik Hansson. Thomas Widstrand does not receive remuneration in his capacity as an employee of the company. Board members are not entitled to benefits after the end of their appointment.

GUIDELINES FOR REMUNERATION OF THE CEO AND OTHER SENIOR EXECUTIVES

The Annual General Meeting in May 2019 passed resolutions on guidelines for remuneration of the CEO and other senior executives.

REMUNERATION IN THE FINANCIAL YEAR 2019

Remuneration to the company's management comprises basic salary, variable compensation, pension benefits and other benefits. The table below shows an overview of remuneration of Board members and senior executives in the financial year 2019. The amounts are shown in EUR thousand.

	Attendance			Remuneration			
GROUP	**Board meetings**	**Audit Committee**	**Remuneration Committee**	**Fee/Basic salary**	**Variable remuneration**	**Other benefits**	**Pension**
Jan Svensson (chair)	4/4		2/2	55.7	–	–	–
Anna Stålenbring	4/4	4/4		33.1	–	–	–
Eva Nygren	4/4		2/2	26.0	–	–	–
Bertil Persson	4/4	4/4		30.7	–	–	–
Fredrik Hansson	4/4			23.6	–	–	–
Bength Håkansson (empl)	4/4			–	–	–	–
Milenko Simic (empl)	3/4			–	–	–	–
Thomas Widstrand (CEO)	4/4			276.5	14.6	9.7	85.9
Other senior executives, 6 persons				958.2	77.8	95.0	219.5
Total				**1,403.8**	**92.4**	**104.7**	**305.4**

CURRENT EMPLOYMENT CONTRACTS FOR THE CEO AND OTHER SENIOR EXECUTIVES

Decisions on current remuneration levels and other employment terms and conditions for the CEO and other senior executives are taken by the Board of Directors. Agreements on pensions must, where possible, be based on fixed premiums and must adhere to levels, practices and collective agreements that apply in the country where the senior executive in question is employed.

The CEO is entitled to a fixed annual salary of EUR 276,500 and a variable salary linked to certain key performance indicators which corresponds to a maximum of EUR 138,000. In 2019, total remuneration, including pension provisions, to the CEO amounted to EUR 386,700. The CEO falls within the scope of both the Swedish National Insurance Act and the so-called basic level in accordance with the ITP plan on salary components of up to 7.5 income base amounts. In addition to this, a premium increment applies that replaces the opt-out premium for alternative ITP pension.

At the end of the financial year, the senior management comprised six senior executives in addition to the CEO. In 2019, total remuneration to senior executives amounted to EUR 1,350,500. Senior executives resident in Sweden are subject to a period of notice of 3–6 months in case of resignation by the employee, and 6–12 months in the case of termination by the employer. Senior executives fall within the scope of both the Swedish National Insurance Act and the ITP plan, including the right to a pension scheme for high earners.

AUDIT

The auditor must audit the Company's financial statements and accounts and the Board's and CEO's administration. After each financial year the auditor must submit an Auditor's report and a consolidated Auditor's report to the Annual General Meeting. In 2019, the auditor participated in one board meeting in order to provide comments on continuous auditing and the general approach to the accounting year. Auditors are elected until the Annual General Meeting in 2020.

In accordance with the company's Articles of Association, the company must have a minimum of one and not more than two auditors and up to two deputy auditors. The Company's auditor is Öhrlings PricewaterhouseCoopers AB, with Johan Palmgren as auditor in charge. The company's auditor is presented in more detail in the section "Board of Directors, senior executives and auditors". In 2019, total remuneration to the Group's auditors amounted to EUR 245,000 (EUR 236,000).

INFORMATION POLICY, INSIDER POLICY AND LOGBOOK INSTRUCTIONS

The company has adopted an information policy in order to comply with the information requirements for a company whose shares are listed on a regulated market.

The company has prepared a policy document in order to inform employees and other stakeholders within Troax about the applicable rules and regulations relating to the company's disclosure of information and the special requirements that apply for persons active in a listed company, for example with regard to information that affects the share price.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The objective of the internal financial controls within Troax is to create an effective decision-making process in which requirements, targets and frameworks are clearly defined. The company and management use the internal control systems to monitor operations and the group's financial position.

CONTROL ENVIRONMENT

The basis for internal controls relating to financial reporting comprises the overall control environment. Troax's control environment includes sound values, competence, management philosophy, organisational structure, responsibility and authorities. Troax's internal instructions, policies, guidelines and manuals provide guidance for employees. The control environment also includes laws and external regulations.

Troax maintains a clear division of roles and responsibilities in order to ensure effective management of the company's risks, for example, through rules of procedure for the Board and committees and through the terms of reference for the CEO. In the continuing operations, the CEO is responsible for the system of internal controls that is required to create a control environment for material risks. Troax also has guidelines and policies on financial governance and follow-up, issues concerning communication and business ethics. All companies within the Group have the same financial system with the same accounting plan.

The Board has appointed an Audit Committee, the duties of which include ensuring that established principles for financial reporting and internal controls are upheld.

RISK ASSESSMENT AND CONTROL ACTIVITIES

There is a risk that material misstatement could occur in the financial statements in connection with accounting and measurement of assets, liabilities, income and expenses or deviations from information requirements. Troax's finance function carries out an annual risk analysis with regard to the group's balance sheet and income statement based on qualitative and quantitative risks.

Standard control activities include account reconciliation and supporting controls. The purpose of all control activities is to prevent, detect and correct any errors or deviations in financial reporting. The most significant risks concerning financial reporting identified as a result of the Group's internal control activities are managed through control structures that in all material respects are based on deviation reporting from established goals or standards.

FOLLOW-UP

The Group applies IFRS. Financial data is reported monthly from 24 reporting entities in accordance with standardised reporting procedures. The reporting constitutes the basis for the Group's consolidated financial reporting. Consolidation is done from a legal and operational perspective, resulting in statutory quarterly reporting and monthly operating reports.

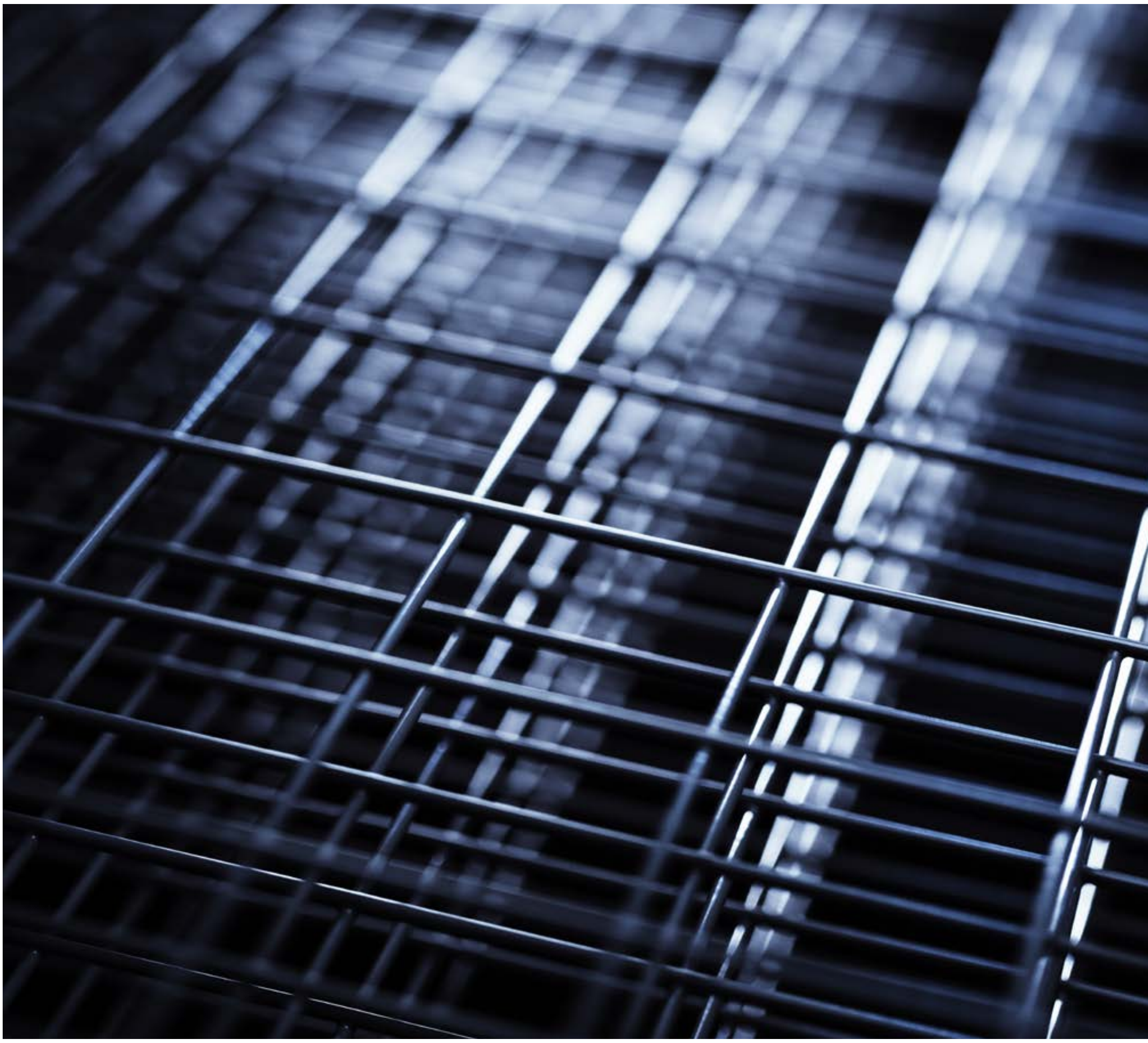
INTERNAL AUDIT

According to the Code, the Board must make a decision annually on whether the Company should have an internal audit function that evaluates whether internal governance and controls are functioning as planned, or whether the Board should establish that this is the case in some other way.

The Company has not established a separate internal audit function with regard to financial reporting. This function is performed by the Board in its entirety. The issue is also reviewed annually by the Audit Committee. Efficient work by the Board therefore forms the basis for good internal control. Troax's Board has established rules of procedure and clear instructions for its work.

At Group level, the managing director of each legal entity, together with the legal and/or operating entity's finance function and the Group's finance director, are responsible for ensuring that requisite controls are carried out and followed up. Internal control includes control over the company's and Group's organisation, procedures and follow-up measures. The purpose is to ensure that financial reporting is reliable and accurate, that the company's and Group's financial reporting is prepared in accordance with laws and applicable accounting standards and that other requirements are adhered to. The system for internal control also aims to monitor adherence to the company's and Group's policies, principles and instructions. In addition, monitoring covers protection of the company's assets and that the company's resources are utilised in a cost-effective and appropriate manner. Furthermore, internal control is performed through follow-up of implemented information and business systems and through risk analysis.

The size of the company, combined with the activities described above relating to internal governance and control, mean that the Board has not found it necessary to establish a separate internal audit function. The matter of a separate internal audit function will be assessed annually, however.



AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

ENGAGEMENT AND RESPONSIBILITIES
The Board of Directors is responsible for the Corporate Governance Report for 2019 on pages 58–62 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

FOCUS AND SCOPE OF THE AUDIT
Our review has been carried out in accordance with FAR's auditing standard RevU 16 Auditor's review of the Corporate Governance Report. This means that our review of the Corporate Governance Report has a different focus and is significantly less in scope than the focus and scope of an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides sufficient basis for our opinions.

OPINION
A Corporate Governance Report has been prepared. Disclosures in accordance with Chapter 6, Section 6, paragraph 2, items 2–6 of the Swedish Annual Accounts Act and Chapter 7, Section 31, paragraph 2 of the same Act are consistent with the financial statements and consolidated financial statements and are in accordance with the Swedish Annual Accounts Act.

Gothenburg, 25 March 2020
Öhrlings PricewaterhouseCoopers AB

JOHAN PALMGREN
Authorised Public Accountant
Auditor in Charge

BOARD OF DIRECTO

SHAREHOLDINGS AS AT 31 DEC 2019

JAN SVENSSON
Chairman of the Board since 2016.

BORN: 1956

EDUCATION: Mechanical engineer and MSc in Business and Economics.

PROFESSIONAL EXPERIENCE: Group CEO and CEO of Investment AB Latour.

OTHER SIGNIFICANT BOARD APPOINTMENTS: Chairman of the Board of AB Fagerhult, Tomra Systems ASA and Alimak Group AB. Board member of Assa Abloy AB, Loomis AB, Climeon AB, Stena Metall AB and Herenco AB.

SHAREHOLDING: 15,000

ANNA STÅLENBRING
Board member since 2015.

BORN: 1961

EDUCATION: MSc from Växjö University.

PROFESSIONAL EXPERIENCE: 30 years of experience of management of industrial companies, mostly within the Nefab group.

OTHER SIGNIFICANT BOARD APPOINTMENTS: Board member of FM Mattsson Mora Group AB (publ) and Investment AB Chiffonjén.

SHAREHOLDING: 9,000

THOMAS WIDSTRAND
CEO since 2008 and Board member since 2014.

BORN: 1957

EDUCATION: MBA from the University of Gothenburg; School of Business, Economics and Law.

PROFESSIONAL EXPERIENCE: Managing Director of Borås Wäfveri AB and Cardo Pump AB.

OTHER SIGNIFICANT BOARD APPOINTMENTS: Board member of Profilgruppen AB.

SHAREHOLDING: 3,447,780

EVA NYGREN
Board member since 2016.

BORN: 1955

EDUCATION: Architecture at Chalmers University of Technology.

PROFESSIONAL EXPERIENCE: Investment Director at the Swedish Transport Administration, CEO and President of Rejlerkoncernen AB, CEO of Sweco Sverige AB, Sweco Russia AB and Sweco FFNS Architects AB.

OTHER SIGNIFICANT BOARD APPOINTMENTS: Chairman of the Board of Brandkonsulten AB, Board member of JM AB, Uponor OY, Ballingslöv International AB, Diös AB and NRC Group ASA.

SHAREHOLDING: 1,500

ORS

FREDRIK HANSSON

Board member since 2018.

BORN: 1971

EDUCATION: MSc in Business and Economics from University of North Alabama.

PROFESSIONAL EXPERIENCE: CEO of Roxtec AB, owner-manager.

OTHER SIGNIFICANT BOARD APPOINTMENTS: Chairman of the Board of Scanbox Thermoproducts AB and Hedson International AB. Board member of HMS Networks AB, NordLock Group AB and Anocca AB.

SHAREHOLDING: 0

BERTIL PERSSON

Board member since 2018.

BORN: 1961

EDUCATION: MSc in Business and Economics from Stockholm School of Economics.

PROFESSIONAL EXPERIENCE: CEO of Beijer Alma group, senior positions at LGP Telecom, Scania AB and Investor AB.

OTHER SIGNIFICANT BOARD APPOINTMENTS: Board member of Christian Berner Tech Trade AB and Nobina AB.

SHAREHOLDING: 4,500

BENGTH HÅKANSSON

Board member (employee representative) since 2010.

BORN: 1957

EDUCATION: Technical college graduate.

PROFESSIONAL EXPERIENCE: Business area manager for the Stockholm region at Troax Nordic AB.

SHAREHOLDING: 4,125

MILENKO SIMIC

Board member (employee representative) since 2016.

BORN: 1967

EDUCATION: Production manager, Higher Vocational Training.

PROFESSIONAL EXPERIENCE: Industrial production. Employed by Troax AB since 2001.

SHAREHOLDING: 3

MANAGEMENT

SHAREHOLDINGS AS AT 31 DEC 2019

THOMAS WIDSTRAND
CEO since 2008 and Board member since 2014.

BORN: 1957

EDUCATION: MBA from the University of Gothenburg; School of Business, Economics and Law.

PROFESSIONAL EXPERIENCE: Managing Director of Borås Wäfveri AB and Cardo Pump AB.

OTHER SIGNIFICANT BOARD APPOINTMENTS: Board member of Profilgruppen AB.

SHAREHOLDING: 3,447,780

ANDERS EKLÖF
CFO since 2017.

BORN: 1970

EDUCATION: MSc in Business and Economics from Växjö University.

PROFESSIONAL EXPERIENCE: Finance Director of Strömsholmen AB, authorised public accountant and director of PWC.

SHAREHOLDING: 3,000

DAVID TEULON
Managing Director and Regional Manager for UK/Ireland since 2008.

BORN: 1953

EDUCATION: Education in politics and economics.

PROFESSIONAL EXPERIENCE: Sales management and marketing of engineering and building products.

SHAREHOLDING: 30,000

WOLFGANG FALKENBERG
Managing Director and Regional Manager for Central Europe since 2008.

BORN: 1962

EDUCATION: Degree in business management, Commercial College DAG.

PROFESSIONAL EXPERIENCE: Sales Director at Chubb Locks & Safes.

SHAREHOLDING: 16,215

JAVIER GARCIA

Managing Director and Regional Manager for Southern Europe since 2008.

BORN: 1972

EDUCATION: MBA Business Administration, IESE Business School and BSc in Data Systems Engineering from Politécnica Catalunya University in Spain.

PROFESSIONAL EXPERIENCE: Various positions within sales and marketing at ABB, Fichet Bauche and Gunnebo.

SHAREHOLDING: 50,000

JONAS RYDQVIST

Managing Director and Regional Manager for the Nordic region since 2014.

BORN: 1972

EDUCATION: Certified Market Economist.

PROFESSIONAL EXPERIENCE: Sales Director at Stora Enso, Sales Manager at Bong and Trioplast/Ekmans.

SHAREHOLDING: 9,147

CHRISTIAN HELLMAN

Supply Chain Manager since 2017.

BORN: 1976

EDUCATION: Within technology, management, logistics and finance.

PROFESSIONAL EXPERIENCE: Site Manager/ Factory manager at Expert's Nordic region warehouse and AQ Enclosures Systems AB.

SHAREHOLDING: 0

AUDITORS

Öhrlings PricewaterhouseCoopers AB (PwC)

Johan Palmgren (born 1974)

Öhrlings PricewaterhouseCoopers AB

Torsgatan 21, SE-113 21 Stockholm, Sweden

GROUP HIGHLIGHTS

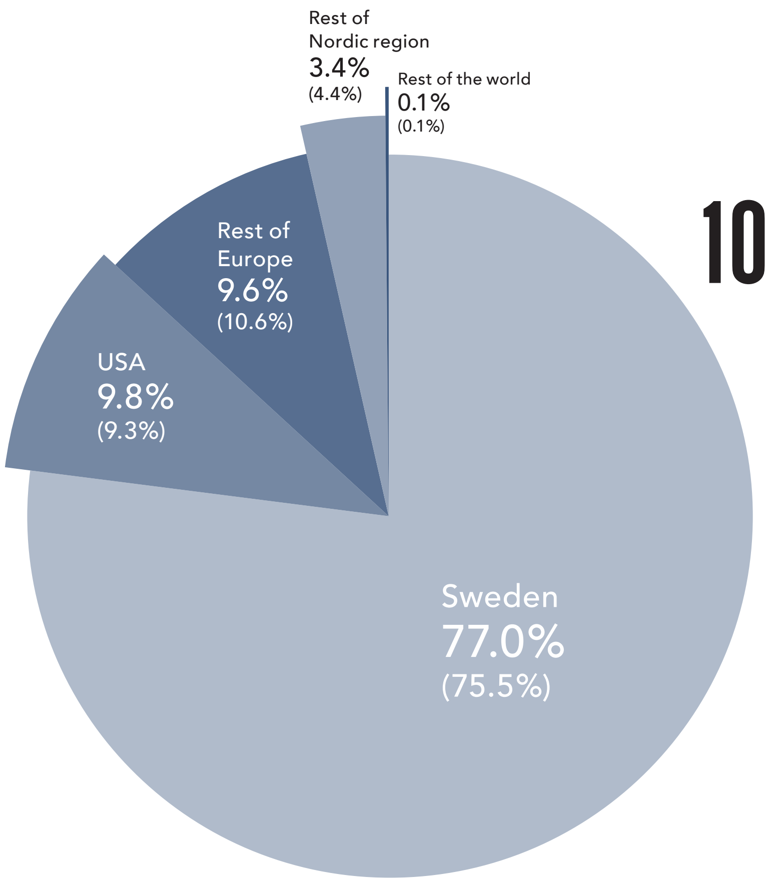
Income statement, EUR million	2019	2018	2017	2016 [1]	2015	2014 [2]
Net sales	168.0	161.0	152.1	115.8	103.7	91.2
Operating expenses	–135.0	–128.1	–121.5	–90.5	–81.3	–76.3
Operating profit	33.0	32.9	30.6	25.3	22.4	14.9
Net financial income/expense	–0.9	–0.8	–5.2	–3.9	–4.1	–4.4
Profit before tax	32.0	32.1	25.4	21.4	18.3	10.5
Taxes	–7.7	–7.7	–8.4	–5.1	–4.6	–1.8
Profit for the year	24.4	24.4	17.0	16.3	13.7	8.7

1) The column for 2016 does not include the acquisition of Folding Guard.
2) The column for 2014 includes Satech as if the acquisition had taken place as at 1 January 2014.

Balance sheet, EUR million	2019	2018	2017	2016	2015	2014
Non-current assets	135.3	119.6	114.8	121.5	102.5	96.7
Other current receivables	54.6	49.2	43.4	38.8	30.8	26.5
Cash and cash equivalents	30.3	22.7	14.1	12.2	10.8	13.2
Total assets	**220.2**	**191.5**	**172.3**	**172.5**	**144.1**	**136.4**
Equity	95.7	82.6	69.2	65.9	60.0	43.2
Non-current liabilities and provisions	91.3	78.1	77.1	83.4	64.5	73.2
Other current liabilities	33.2	30.8	26.0	23.2	19.6	20.0
Total equity and liabilities	**220.2**	**191.5**	**172.3**	**172.5**	**144.1**	**136.4**

Cash flow, EUR million	2019	2018	2017	2016	2015	2014
Cash flow from operating activities	29.4	26.1	19.2	16.1	13.2	11.2
Cash flow from investing activities	–8.7	–9.0	–3.3	–27.3	–5.6	–18.2
Cash flow from financing activities	–12.7	–8.0	–14.9	12.9	–10.0	5.7
Cash flow for the period	**8.0**	**9.1**	**1.0**	**1.7**	**–2.4**	**–1.3**

TROAX ON THE STOCK EXCHANGE



100%

SHAREHOLDER DISTRIBUTION
Geographical breakdown 2019 (2018)

Listing: **NASDAQ STOCKHOLM**
Number of shares: **60,000,000**
Ticker code: **TROAX**
ISIN code: **SE0012729366**

DIVIDENDS AND DIVIDEND POLICY

The Board is proposing a dividend to shareholders of EUR 0.19 per share (previous year EUR 0.16). Total dividend of EUR 11.4 million. The dividend corresponds to 46% of profit after tax. The record date for dividend payments is 27 April 2020.

Troax's goal is to pay around 50% of net profits in dividends. The dividend proposal must take into account Troax's long-term development potential, financial position and investment needs.

Shareholders	%
Investment AB Latour	30.1%
State Street Bank and Trust Co, W9	7.9%
Nordea Investment Funds	7.0%
Handelsbanken fonder	6.7%
Thomas Widstrand	5.8%
Svolder Aktiebolag	5.0%
Spiltan Fonder	4.5%
Bny Mellon SA/NV (Former Bny), W81MY	4.1%
Catella Fondförvaltning	1.7%
AMF – Insurance and Funds	1.7%
Total, ten largest shareholders	**74.5%**
Other shareholders	25.5%

Shareholding	Number of shareholders	%
1–500	4,031	0.66%
501–1,000	347	0.42%
1,001–5,000	389	1.43%
5,001–10,000	64	0.76%
10,001–15,000	23	0.49%
15,001–20,000	16	0.47%
20,001–	101	95.77%
	4,971	**100%**

Share data	2019	2018
Earnings per share, EUR	0.41	1.22
Exchange rate on balance sheet date, SEK/EUR	10.45	10.28
Proposed dividend, EUR	0.19	0.16
Dividend as proportion of profit, %	46	40
Share price at end of year, SEK	120.8	84.8
Dividend yield on closing price, %	1.6	1.9
Highest share price in 2019 (27 Dec)	124.8	
Highest share price in 2018 (21 May)		107.16
Lowest share price in 2019 (4 Jan)	83.16	
Lowest share price in 2018 (23 March)		74.5
Number of shareholders:	4,971	3,753
Market capitalisation at end of year, SEK million	7,248	5,088

DEFINITIONS OF KEY PERFORMANCE INDICATORS

NUMBER OF EMPLOYEES
Average number of full-time employees in the financial year

GROSS MARGIN, %
Gross profit as a percentage of net sales in the reporting period.

EBITDA
Operating profit before amortisation/depreciation and impairment.

EBITDA MARGIN, %
Operating profit before amortisation/depreciation and impairment as a percentage of net sales in the reporting period.

OPERATING MARGIN, %
Operating profit as a percentage of net sales in the reporting period.

ADJUSTED NET MARGIN, %
Adjusted profit after tax as a percentage of net sales in the reporting period.

NET BORROWINGS
Interest bearing liabilities less cash and cash equivalents and interest-bearing assets as at the end of the period.

DEBT/EQUITY RATIO, %
Net borrowings divided by equity, as at the end of the period.

WORKING CAPITAL
Total current assets less cash and cash equivalents less non-interest-bearing current liabilities, excluding liabilities relating to additional consideration, as at the end of the period.

EQUITY/ASSETS RATIO, %
Equity as a percentage of total assets, as at the end of the period.

EARNINGS PER SHARE
Profit for the period divided by the average number of ordinary shares.

KEY PERFORMANCE INDICATORS

NOT DEFINED IN IFRS

Troax uses some performance measures that are not defined in the financial reporting framework applied by Troax. The purpose of these performance measures is to create a better understanding of the performance of the business. It must be additionally stressed that these alternative performance measures, as they are known, are not fully comparable with measures of similar description used by other companies.

NET DEBT/EBITDA
Ratio of net debt to EBITDA.

ORGANIC GROWTH
Because Troax has activities in several countries with different currencies, it is essential to create an understanding of how the company is performing excluding the currency impact when translating foreign subsidiaries' financial statements. As a result, under the Organic growth concept, growth is reported excluding the currency impact when translating foreign subsidiaries' financial statements and excluding acquired businesses. This key performance measure is reported as a percentage of the previous year's net sales.

NET DEBT
Interest-bearing loans excluding provisions for pensions less cash and cash equivalents.

ANNUAL GENERAL MEETING 2020

The Annual General Meeting in Troax Group AB (publ) will be held on Wednesday 23 April at 15:00 at the company's office, Tyngel, SE-335 04 Hillerstorp, Sweden. Notice of the Annual General Meeting is given, in accordance with the Articles of Association, via an announcement in the gazette Post- och Inrikes Tidningar and on the company's website not more than six weeks and not less than four weeks before the Annual General Meeting. An advertisement of the notice will be published in Svenska Dagbladet. The information below relating to the meeting does not constitute a legal notice.

NOTICE OF ATTENDANCE

Shareholders who wish to attend the Annual General Meeting must:

» be recorded in the share registered maintained by Euroclear Sweden AB on 17 April 2020

» notify the company not later than 17 April 2020 using the address Troax Group AB (publ), Box 89, SE-335 04 Hillerstorp, Sweden, or by telephone on +46 370 828 00, or via email to arsstamma@troax.com, and must also notify the company of the number of assistants attending.

When giving notice of attendance, shareholders must state their name, personal or corporate identity number, address and telephone number. The personal data provided will be processed and used only for the Annual General Meeting 2020.

For those who wish to be represented by a proxy, the company will issue a form of proxy that is available at troax.com. If participation takes place using a form of proxy, this should be sent to the above address so that it reaches the company prior to the Annual General Meeting.

Shareholders who have registered their shares with a nominee through a bank or other nominee must temporarily register the shares in their own name in order to be entitled to participate in the Annual General Meeting. In order for this registration to be entered in the share register on 17 April 2020, shareholders must inform the nominee to carry out such registration in good time before this date.

SALES OFFICES/ DISTRIBUTORS

SALES OFFICES

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