2018

New Wave Group Annual Report

2018

SV Darmstadt **98**
plays in Craft

Contents

* The segment Corporate Promo has been renamed to Corporate.

010

This is New Wave Group

New Wave Group is a growth group that designs, acquires and develops brands and products in the corporate-, sports-, gifts- and home furnishings sectors. The Group will achieve synergies by coordinating design, purchasing, marketing, warehousing and distribution of its product range. To ensure good risk diversification, the Group will market its products in the promo market and the retail market.

Trademarks in focus

Corporate

- Clique
- J. Harvest & Frost
- James Harvest Sportswear
- Printer Active Wear
- Mac One
- Jingham
- Jobman Workwear
- Projob
- Toppoint
- d-vice promote
- Cottover
- Grizzly
- Derby of Sweden
- Graphix
- No Problem Sportswear
- D.A.D Sportswear
- Lord Nelson Victory
- Nightingale
- Queen Flannel
- Kosta Linnewäfveri
- Orrefors Jernverk

Sports & Leisure

- Cutter & Buck
- Annika Cutter & Buck
- Craft
- Clique
- Ahead USA
- Kate Lord Collection
- Le Gant Paris Glove
- Auclair
- Laurentide
- Seger
- Termo
- Pax
- Marstrand Original Sailor Shoes
- Sköna Marie
- Speedo

Gifts & Home Furnishings

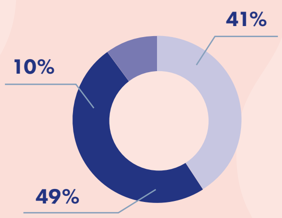
- Orrefors Sweden
- Kosta Boda
- Kosta Boda Art Hotel
- Kosta Lodge
- Kosta Förlag
- Sagaform

New Wave Group 2018 in summary

The Group has experienced growth in each quarter and has also increased sales in all regions and in both sales channels. Net sales increased by 12 % (9 % excluding currency changes) compared to last year.

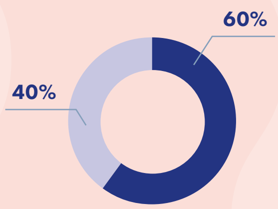
The segment Corporate* increased by **16** %, which is a result of our efforts regarding good delivery service and expanded marketing activities. Besides a well-balanced stock, we have invested in larger warehouses, as well as better IT systems to improve our level of service. In addition, we have launched a number of new products, among others within work wear, which strengthens our overall product portfolio in the segment.

Within Sports & Leisure a number of investments in Craft have started to take effect. Craft Teamwear development continues and has during the year been named best supplier within the category "Team Sports" by the German magazine SAZ Sport. Besides all the smaller clubs and associations that make up our base, there are even a number of major European football clubs such as Dresden, Darmstadt, Zwolle and Gent who have chosen to play in Crafts' products. In Sweden we have signed an agreement with Hammarby football. Craft has also signed a three year agreement with Spartan USA. Spartan stages **287** obstacle course races per year in **32** countries, of which about **150** are in the United States. The agreement covers both clothes and shoes and has an estimated sales value of USD **30** million during the three-year agreement term. The agreement may be regarded as a breakthrough for the brand in the United States. Within Cutter & Buck we will continue expanding our sales organization in the United States, but also strengthen our operations in Canada and Europe. The segment has increased its marketing activities during the year and all in all, the efforts produced results. Sales for the segment have increased by **11** % for the whole year, however, growth was **20** % in the second half.



Net sales per operating segment

- Corporate*
- Sports & Leisure
- Gifts & Home Furnishings



Net sales per sales channel

- Promo
- Retail

2018

- Net sales amounted to SEK **6,290.6** million, which was **12** % higher than last year (SEK **5,597.3** million).
- Operating result amounted to SEK **482.8** (**469.1**) million.
- Operating margin amounted to **7.7** (**8.4**) %.
- Result for the year amounted to SEK **360.0** (**354.0**) million.
- Earnings per share amounted to SEK **5.48** (**5.34**).
- Cash flow from operating activities amounted to SEK **222.6** (**207.8**) million.
- Equity ratio amounted to **48.6** (**50.9**) %.
- Net debt to equity ratio amounted to **53.3** (**54.1**) %.
- The Board of Directors has decided to propose the Annual General Meeting a dividend of SEK **2.00** (**1.70**) per share.

** The segment Corporate Promo has been renamed to Corporate.*

The Group has continued its high level of marketing activities and new employments within sales, warehousing and customer service.

2018

Gifts & Home Furnishings had a growth of **2** %, despite the fact that the hot weather did not favour the all-important summer months of activities in Kosta. The segment has made a number of start-ups and has expanded marketing efforts, which have burdened this year's result.

The promo sales channel increased its net sales by **16** % and the retail sales channel by **8** %. The sales and marketing efforts made during the year have been geared toward both sales channels.

The Group has continued its high level of marketing activities and new employments within sales, warehousing and customer service. Gifts & Home Furnishings has made start-ups in Kosta. Besides the above-mentioned activities, volume-related costs have also contributed to the total cost increase compared to last year.

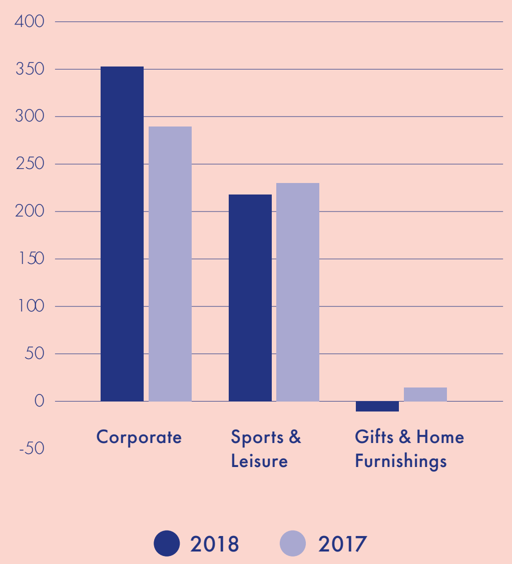
Cash flow from operating activities amounted to SEK **222.6** (**207.8**) million. This is partly due to a higher operating profit but also a higher influx of goods resulting in an increased debt to suppliers. Stocks have risen due to continued stock build-up in Canada as well as new product lines, primarily within Craft and work wear and amounted to SEK **3,230.9** (**2,643.4**) million. Cash flow from investing activities amounted to SEK **-163.2** (**-110.6**) million, which is mainly related to our investments in distribution centers and IT.

As a result of our stock increase, equity ratio decreased slightly to **48.6** (**50.9**) %. Net debt increased by SEK **193.7** million and amounted to SEK **1,831.0** (**1,637.3**) million. Net debt to equity ratio and net debt by working capital decreased and amounted to **53.3** (**54.1**) % and **57.0** (**57.4**) % respectively.

Key Figures

	2018	2017
Net sales, SEK million	6 290.6	5 597.3
Gross profit margin, %	46.6	46.1
EBITDA, SEK million	560.7	534.4
Operating result, SEK million	482.8	469.1
Result for the year, SEK million	360.0	354.0
Equity, SEK million	3 434.2	3 029.2
Return on equity, %	11.2	12.2
Return on capital employed, %	9.4	9.8
Net debt to equity ratio, %	53.3	54.1
Net debt in relation to working capital, %	57.0	57.4
Equity ratio, %	48.6	50.9
Number of employees	2 605	2 495
Profit per share, SEK	5.48	5.34
Equity per share, SEK	51.76	45.66

EBITDA per operating segment, SEK million



16%
Increase in net sales

Corporate

Net sales for the year increased by **16** *% and amounted to SEK* **3,069.0** *(***2,648.7***) million. EBITDA increased by SEK* **63.4** *million and amounted to SEK* **353.1** *(***289.7***) million. The improved turnover is due to increased sales and marketing activities, as well as improved inventory structure and level of service. It is the promo sales channel that increased and the improvement occured in all regions. The improved result is mainly related to the increase in turnover.*

11%
Increase in net sales

Sports & Leisure

Net sales amounted to SEK **2,573.7** *(***2,311.5***) million, which gives an increase of* **11***%. EBITDA decreased by SEK* **12.1** *million and amounted to SEK* **218.2** *(***230.3***) million. Sales increased in both sales channels. The segment had growth in most regions and an improved gross profit margin. The lower result is primarily related to higher costs due to new employments and marketing.*

2%
Increase in net sales

Gifts & Home Furnishings

Net sales for the full year amounted to SEK **647.8** *(***637.1***) million, which gave an increase of* **2***%. Sales increased in both sales channels. However, the retail trade in Kosta was negatively affected during the hot summer months. EBITDA amounted to SEK* **-10.6** *million which was SEK* **25.0** *million less than last year (SEK* **14.4** *million). The lower result is mainly related to more market activities and that the segment made a number of new establishments in Kosta and thus higher costs.*

"2018 is the second year in a row that I start with, that I am actually happy with the year."

- Torsten Jansson

Torsten Jansson

CEO comments

2018 is the second year in a row that I start with, that I am actually happy with the year. Or in any case almost... There is always something that could have gone better.

Sales increased by 12 % (9 % in local currencies) to SEK 6,290.6 million, representing an organic growth of SEK 693.3 million and a new all-time high in sales.

From **2014** to **2018**, we had an organic growth of SEK **2,017.0** million. A good development which we intend to continue. I am extra pleased that all three operating segments had growth and both of our sales channels.

Result

Operating profit, pre-tax profit and profit after tax continues to increase.

From **2014** to **2018**, we have nearly doubled operating profit from SEK **250.0** million to SEK **482.8** million.

I am satisfied with the development of the result, especially considering all the investments and the high growth that we had. However, I am not completely satisfied with the operating margin, it should be able to higher despite the high growth. We will continue to focus on trying to improve the operating margin.

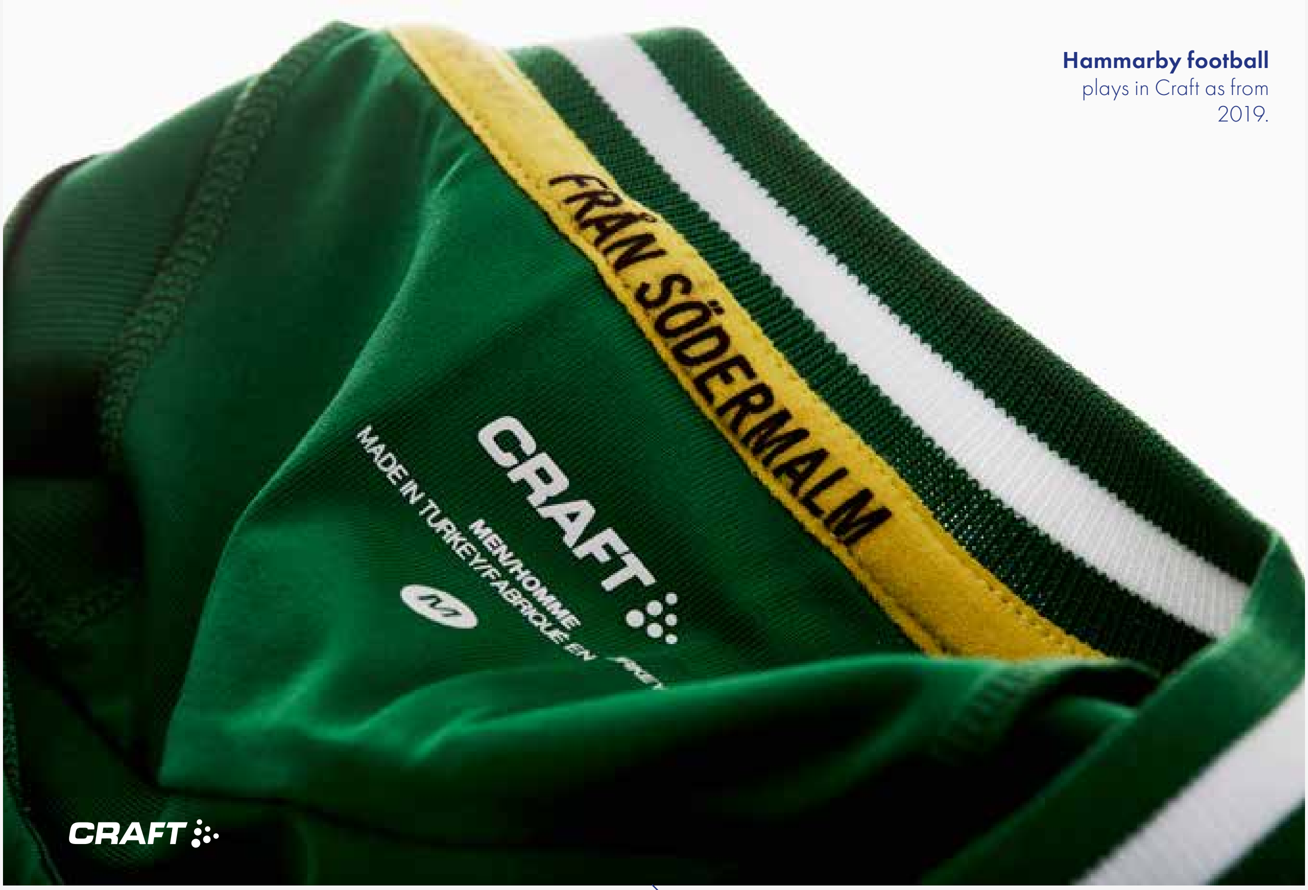
The future

I see a very bright future. In recent years, we have invested heavily in many areas. I regard it as investments even though much was recorded as costs in the income statement. In recent years, we have also launched new brands such as Cottover and J. Harvest & Frost, where both have many years of growth ahead of them. We have launched a lot of new products in existing brands such as Craft's Teamwear, Craft's shoes, Projob's Prio and Jobman's Practical. We have invested a tremendous amount of advertising on many of our brands which made them both more desirable and in demand.

Today we have a motivated and knowledgeable organisation who is very competent, while at the same time our brands are stronger and more known than ever – just like our products. We have a strong balance sheet that gives space for continued organic growth but also for acquisitions if interesting candidates come up.

I look with great confidence to the future!

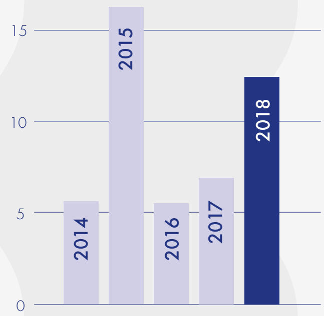
Torsten Jansson
CEO



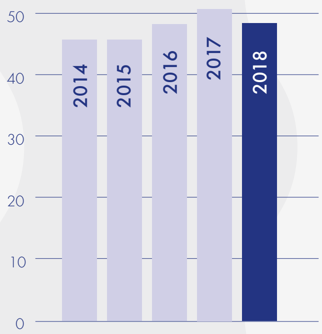
Hammarby football plays in Craft as from 2019.

"Today we have a motivated and knowledgeable organisation who is very competent, while at the same time our brands are stronger and more known than ever – just like our products."

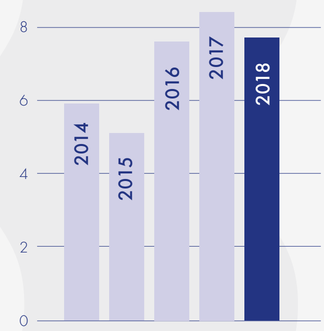
- Torsten Jansson



Sales growth, %



Equity ratio, %



Operating margin, %

About the Group

This is New Wave Group

Business concept - New Wave Group is a growth group that designs, acquires and develops brands and products in the corporate-, sports-, gifts- and home furnishings sectors. The Group will achieve synergies by coordinating design, purchasing, marketing, warehousing and distribution of its product range. To ensure good risk diversification, the Group will market its products in the promo market and the retail market.

Vision Corporate*

The vision for the Corporate operating segment is to become the leading supplier of promotional products to corporations in Europe and one of the leading suppliers in the United States by offering companies a broad product range, strong brands, advanced expertise and service, and a superior all-inclusive concept.

Vision Sports & Leisure

The vision for the Sports & Leisure operating segment involves establishing Craft as a world-leading sportswear brand, and making Cutter & Buck a world-leading golf apparel brand. The brand Auclair should take a leading position on gloves in Europe and we will also use Paris Glove's strong distribution platform to launch the Group's other brands in Canada. Overall, we want to be one of the leading sports suppliers, both in Sweden and in other European countries and in the United States. All in all, our brands shall give us a position among the largest sport suppliers in the world.

Vision Gifts & Home Furnishings

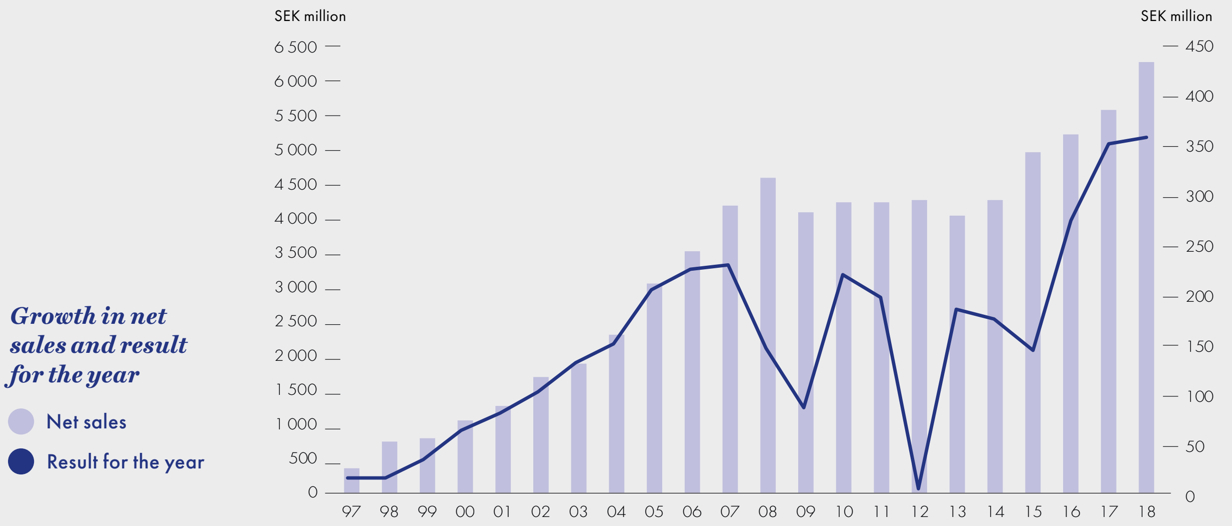
The vision for the Gifts & Home Furnishings operating segment is to make Orrefors and Kosta Boda world leading glass and crystal suppliers. Part of the vision also involves utilizing innovative and playful design to make Sagaform a prominent player in Northern Europe in both the promo and retail markets.

Strategy

To realize its targets, New Wave Group's strategy involves acquiring, launching and developing the brands in the corporate-, sports-, gifts- and home furnishings sectors. Establishing the brands and organizations in new geographic markets and spreading the Group's values to new and acquired companies.

"The Group will market its products in the promo market and the retail market, to ensure good risk diversification."

** The segment Corporate Promo has been renamed to Corporate.*



Growth and profitability targets

New Wave Group strives for sustainable, profitable sales growth through expansion in its three operating segments: Corporate, Sports & Leisure and Gifts & Home Furnishings. Over a period of one business cycle, the Group's growth target is between **10** and **20**% per year, of which between **5** and **10**% is organic growth, and a **15**% operating margin. In addition, New Wave Group aims for at least **30**% equity ratio over one business cycle.

New Wave Group's values

New Wave Group is a decentralized organisation and the Group's values are its guiding principle. We are dedicated to uphold and spread New Wave Group's values within the Group and particularly when acquiring new companies. New Wave Group does its utmost to find inexpensive, simple solutions and adheres to the motto "a penny saved is a penny earned".

- *It takes hard work to outperform competitors.*
- *Employees must have the conviction to take initiative and to learn from their mistakes in a decentralised organisation.*
- *Customer focus is a central principle for the organisation as a whole and imperative to doing our utmost.*

History

New Wave Group was established in **1990** in Sweden and Norway and in **1994** in Finland. The Group ranks as market leader in these markets, with an estimated promowear market share of about **30** %. In **1996** Craft was acquired, which established sales in the retail sales channel. New Wave's share, Series B, was listed on the Stockholm Stock Exchange **1997**. With its **2001** acquisition of Sagaform, New Wave Group moved into promotional gifts, which generated substantial synergies with the Group's other promo activities. In **2003**, New Wave Group developed its own workwear concept under the Projob brand and sealed the venture with the acquisition of Jobman. Following its launch in workwear, New Wave Group is currently the only supplier to cover all three segments (promowear, promotional gifts and workwear) in the promo sector. To further strengthen the Group's promotional gifts and giveaways assortment the Orrefors Kosta Boda Group was acquired in late **2005**. Cutter & Buck was acquired in **2007** and secured a sound foothold in the North American market. The Group's presence in North America was further strengthened during **2011** when AHEAD and Paris Glove were acquired, and **2013** when the distribution of Craft's products were acquired. CSR and sustainability have always been and remain an important part of our business. In **2015**, Cottover was launched, which is eco-labeled and sustainability-produced profile clothing. The recent years' efforts to improve the service level and expanded product range have resulted in the Group achieving over SEK **6,000** million in sales in **2018**.

The Group has gradually expanded and set up organisations in Europe, North America and Asia. New Wave Group has established sales organisations and its own subsidiaries in **17** countries. Sales in non-Swedish markets make up about **76** % of the Group's sales and amount to SEK **4,761** million. Sweden and the United States are the Group's most important markets. Together they have **49** % of the Group's turnover.

1990

New Wave Group was established in Sweden and Norway

1994

Acquisitions in Finland and Italy

1996

Acquisition of Craft

1997

Establishment in Denmark,Spain and Germany. New Wave Group listed on the Stockholm Stock Exchange

2001

Acquisition of Sagaform and Seger

2002

Acquisition of DJ Frantextil, Toppoint and X-Tend

2003

Establishment in China and Switzerland

Establishing of Projob

2007

Acquisition of Cutter & Buck

2008

Introduction of Clique in the United States

2009

Grand opening of Kosta Boda Art Hotel

Introduction of Cutter & Buck in Europe

2013

Acquisition of Craft distribution in North America

2014

Launching J. Harvest & Frost in nordic countries and Clique Basic in Europe and the United States

2015

Launching Cottover, eco-labelled and sustainably produced promowear

1998

Acquisition of Hefa AB

1999

Establishment in England and The Netherlands

2000

Establishment in France

Acquisition of Texet

2004

Acquisition of D.A.D Sportswear, Jobman and Swedish Match Advertising Products division

2005

Establishment in Wales

Acquisition of Dahetra, Intraco and Orrefors Kosta Boda

2006

Large investments in Orrefors Kosta Boda

2010

Cutter & Buck establishes a new distribution center in Kentucky

2011

Acquisition of AHEAD and Paris Glove

2012

Measures taken to convert Orrefors Kosta Boda into a design and market driven company

2016

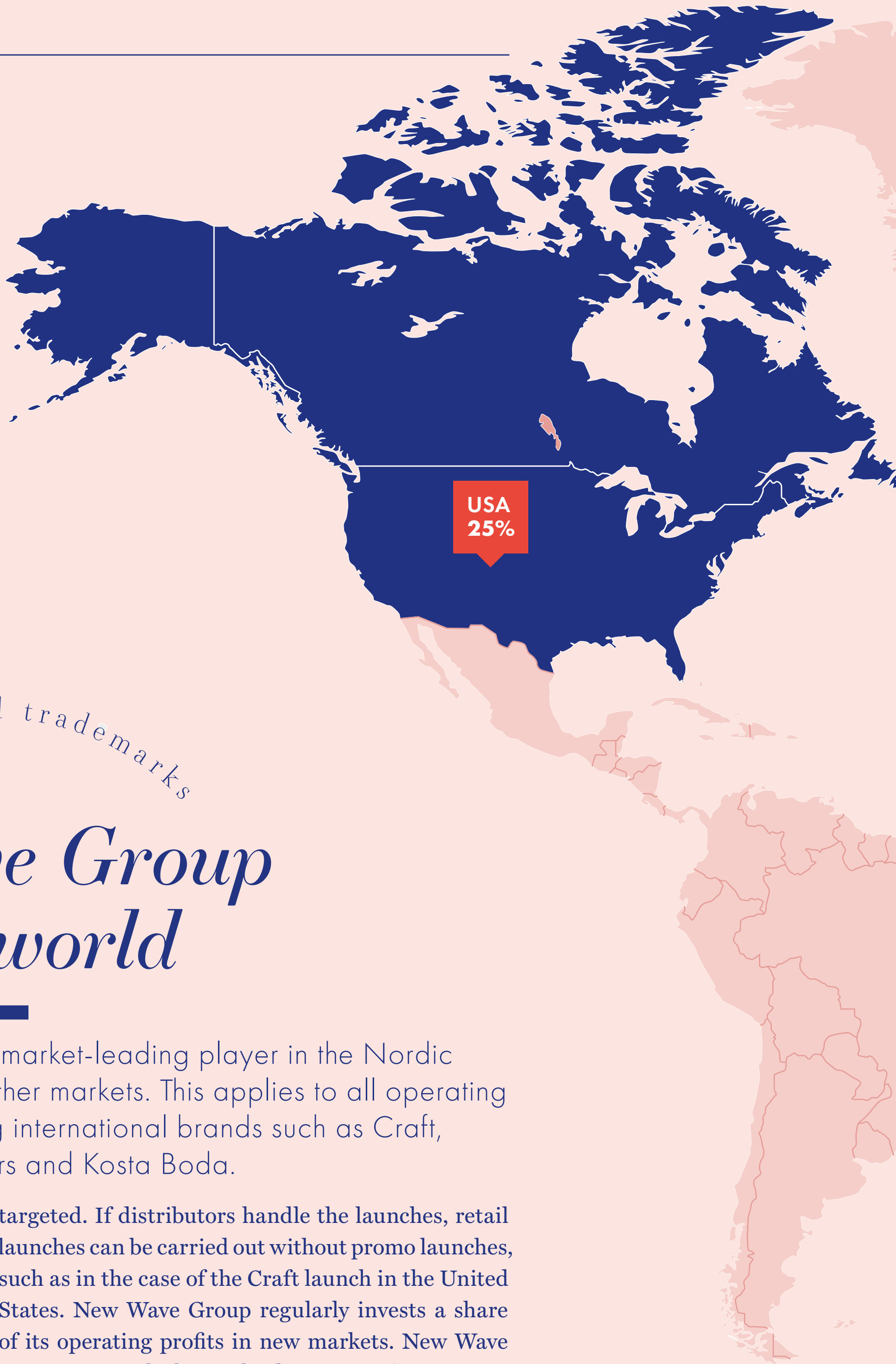
*New Wave Group exceeds over SEK **5,000** million in sales*

2017

Launching Craft Teamwear and establishing a new distribution center in Toronto, Canada

2018

*The Group exceeds over SEK **6,000** million in sales*



International trademarks

New Wave Group in the world

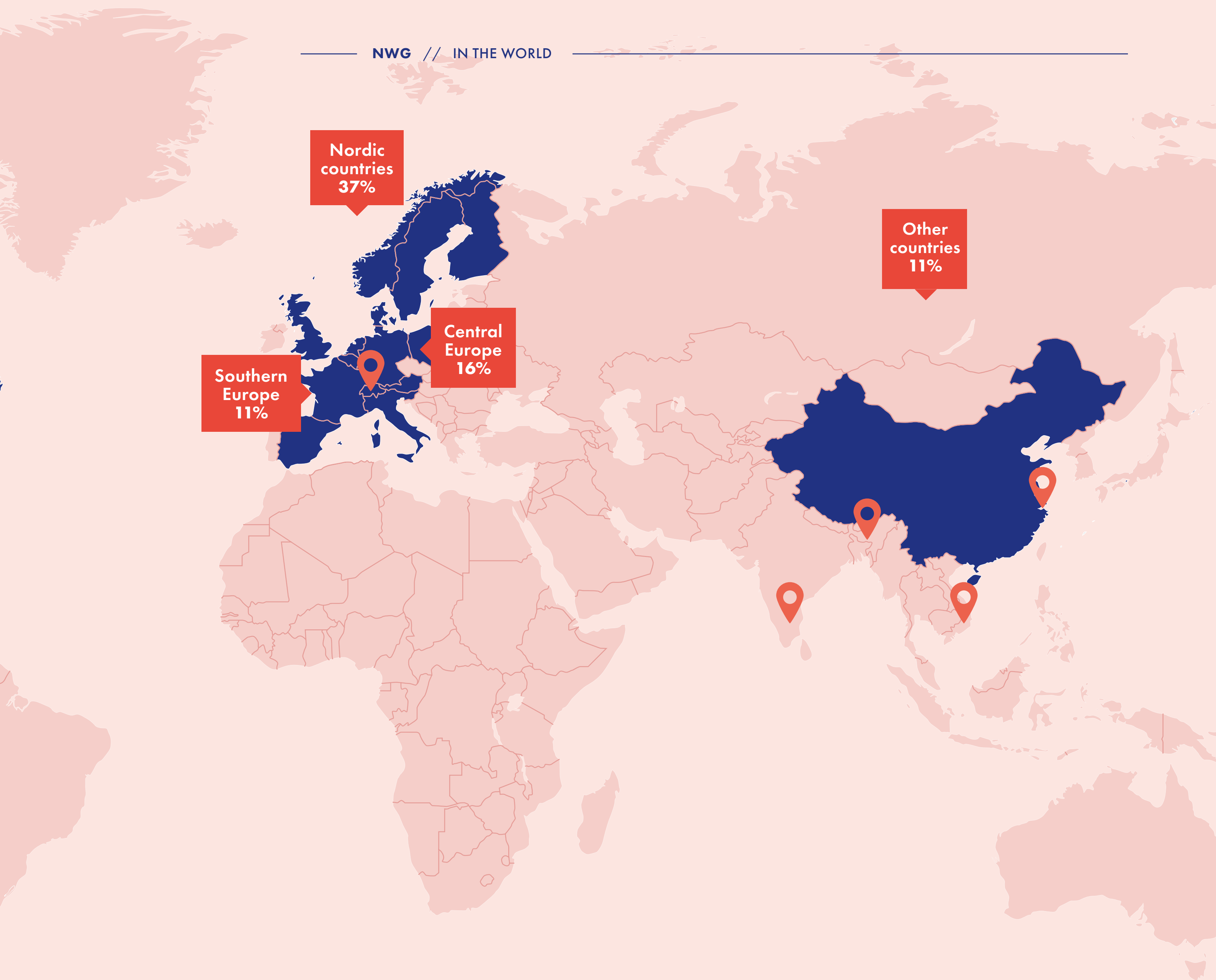
New Wave Group has evolved from a market-leading player in the Nordic countries to a prominent player in several other markets. This applies to all operating segments. The Group works with strong international brands such as Craft, Cutter & Buck, Orrefors and Kosta Boda.

The Group's business strategy entails launching brands and developing concepts on new markets. In connection with international establishments, the company's tactics are initially only to process the promo market with one or a few of the Group's brands. Business must be conducted with low costs to limit the financial risks. When satisfactory profitability and good growth have been achieved, more promo brands can be launched and the retail market targeted. If distributors handle the launches, retail launches can be carried out without promo launches, such as in the case of the Craft launch in the United States. New Wave Group regularly invests a share of its operating profits in new markets. New Wave Group currently has subsidiaries in 17 countries and has carried out 200 launches under its existing brands.

Sales activity in own subsidiary
Sweden, Belgium, Denmark, Finland, France, Italy, Canada, China, The Netherlands, Norway, Poland, Switzerland, Spain, Great Britain, Germany, USA and Austria

Own purchasing offices
Switzerland (Cortaillod), China (Shanghai), Bangladesh (Dhaka), Vietnam (Ho Chi Minh City) and India (Bangalore)

Share of net sales

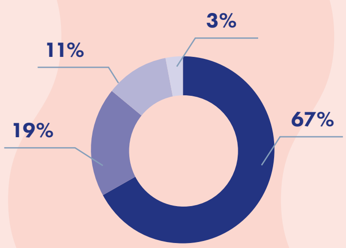


Net sales per geographical area

SEK million	2018	Share of net sales	2017	Share of net sales	Change	Percentage change
USA	1 579.7	25%	1 423.7	25%	156.0	11%
Sweden	1 529.9	24%	1 463.8	26%	66.1	5%
Central Europe	986.4	16%	891.1	16%	95.3	11%
Nordic region excl. Sweden	807.1	13%	727.7	13%	79.4	11%
Southern Europe	716.5	11%	630.8	11%	85.7	14%
Other countries	670.9	11%	460.2	8%	210.7	46%
Total	**6 290.6**	**100%**	**5 597.3**	**100%**	**693.3**	**12%**

Small company ***flexibility*** *with large company* ***synergies***

New Wave Group markets products under several different brands. The company strives for complete integration from the beginning of the chain in order to attain competitive advantages. The synergies are evident for operational segments Corporate, Sports & Leisure as well as Gifts & Home Furnishings within several areas.



Purchase volume percentage distributed per purchase office

- China
- Bangladesh
- Vietnam
- India

Design

The company has extensive experience in design and product development. Elaborate strategies are applied to each brand regardless of product category. The various concepts within the operating segments Sports & Leisure and Gifts & Home Furnishings have their own product development activities. Corporate's product development activities are coordinated since the design is less fashion sensitive.

The Group's products can be sold in both sales channels, both promo and retail. Well-designed promowear suits both men and women of working age and allow ample room for profiling, such as logot. In addition to being a well-designed promo garment, a large part of the design, primarily in the Sports & Leisure and the Gifts & Home Furnishings segments, builds on form and function to also fit directly with the retail trade. The Group has several close partnerships with athletes at both elite and amateur level in a variety of sports. Kosta Boda and Orrefors teams with several famous artists.

Purchasing organisation

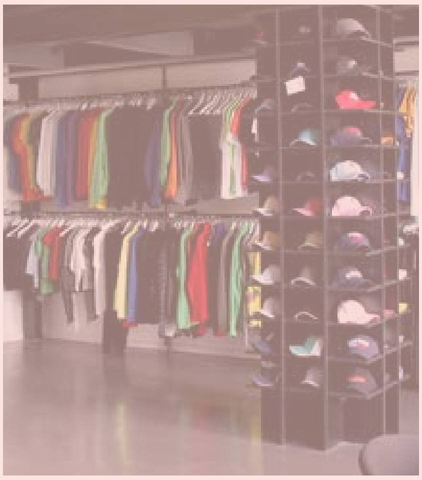
New Wave Group's purchasing strategy is based on direct purchases from the manufacturer via the Group's purchasing offices. Within the Group, New Wave Group SA in Switzerland is responsible for the purchasing business. New Wave Group has seven purchasing offices in Asia, including three satellite offices in China to stay close to the production. Our local presence is of great importance to ensure good control of prices, quality and the flow of goods. The largest purchasing office is located in Shanghai, where New Wave Group has been established since **1992**. In addition to China, we have purchasing offices in Bangladesh, Vietnam and India.

Today, we have a total workforce of more than **200** employees at our purchasing offices. The predominant function is performed by our merchandisers, quality controllers and technicians working in teams based on product type and brand.

All teams have a continuous and close cooperation with the brand offices and product development departments. Therefore, each purchasing team is well informed and familiar with the specific features and requirements of each brand.

Each office has a quality laboratory where we are conducting regular quality testing of our products. We have professional equipment to conduct a number of different tests such as colour fastness, rubbing and dimensional changes. This enables us to secure product quality before shipment and prevent issues and reclaims.

The purchasing offices also play a key role in securing social and environmental responsibility in the supply chain. Being



The Shanghai office

New Wave Group's largest purchasing office is located in Shanghai, where we have been established since 1992. The early establishment of the office has given us competitive advantages and is a reason for our success during the years. Today, we have more than 125 employees in China. The local presence and ability to control the manufacturing processes are examples of our strengths. New Wave Group also has purchasing offices in Bangladesh, Vietnam and India.

represented on site enables us to have a close partnership with our suppliers and to actively monitor and check that the producers take their social responsibility. We have our own CSR personnel working full-time visiting, monitoring and training suppliers in social and environmental topics. Through regular visits and good communication, we can detect any shortcomings in time and create long-term relationships that strengthen our collaborations.

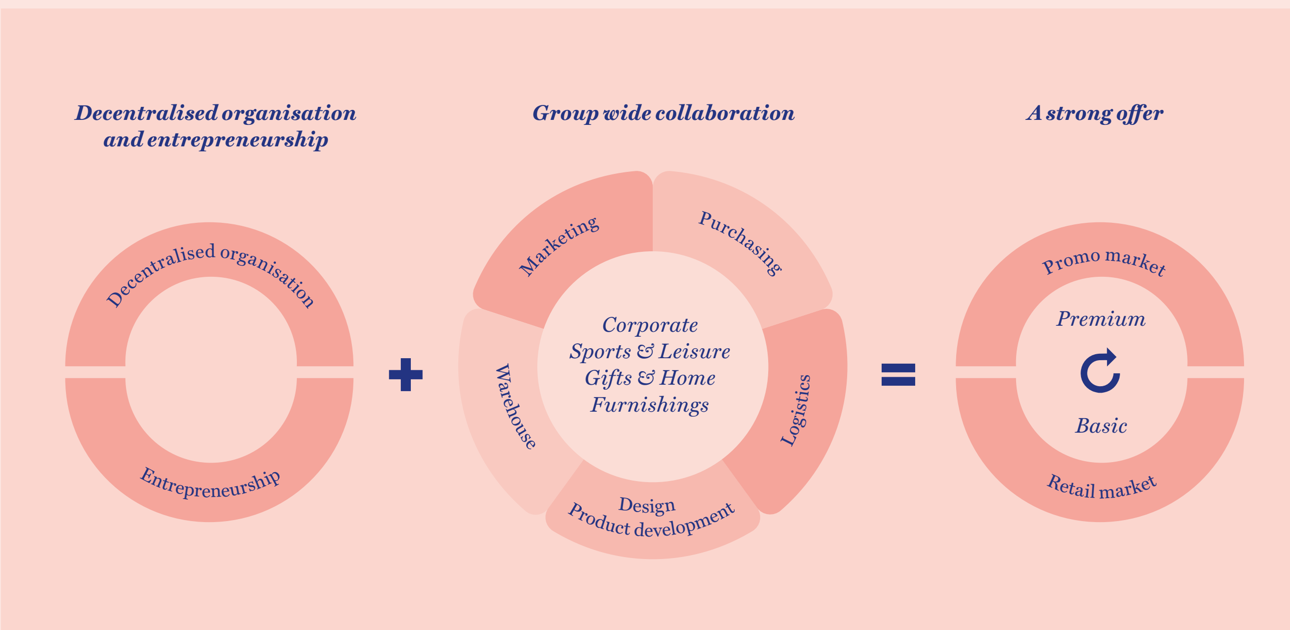
Production

New Wave Group owns a few factories. In Sweden, Seger Europe and Termo have production units for knitted items and Orrefors Kosta Boda glass making facilities. In the Netherlands, Toppoint runs printing operations for, among other things, pen and mug prints. In Denmark, Dahetra owns a production facility for embroidery and transfer printing. In the United States, AHEAD and Cutter & Buck have some embroidery production and Paris Glove a production unit for gloves.

Logistics and warehouse

To ensure that quality, long-term sustainability, and economies of scale are achieved at all stages, we are working with the coordination of our flows:

- *Most of our products are manufactured in Asia and are controlled via our established purchasing offices.*
- *Sea transport is procured and managed centrally. Through consolidated transports between our suppliers and our host companies we maintain high precision and good economy in our transport-intensive flow.*
- *In order to maintain a high level of service, deliveries to the market are from local warehouses which in turn are supported by central warehouses. The number of warehouse points is reduced in order to reduce capital tied-up at the same time delivery capacity is increased.*
- *By coordinating sales and distribution channels for both promo and retail we obtain additional synergies and reduce seasonal variations.*



The three operating segments

Corporate*

The operating segment's operation is conducted in a total of 17 countries on three continents. The Nordic countries are the main markets which also answer for most of the sales. Corporate answered for 49 % of the Group's sales and SEK 353.1 million of the Group's EBITDA in 2018. The products are primarily sold in the promo sales channel.

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* CORPORATE PROMO RENAMED TO CORPORATE

- Clique
- James Harvest Sportswear
- Cottover

Corporate's subdivisions, promowear, promotional gifts and workwear, consist of products that cover all price levels and qualities

Corporate

Our offering

Corporate's subdivisions, promowear, promotional gifts and workwear, consist of products that cover all price levels and qualities. Promowear and promotional gifts have similar application areas (to promote and market brands) and are marketed by the same type of retailers. Workwear is primarily used when functional, durable work clothes are needed in many professions.

Within the promowear division, New Wave Group offers clothes adapted for printing and embroidery. In addition to price and quality, the assortment is adapted for different application areas and sizes, from favorably priced basic garments to detailed garments made of exclusive textiles, leisure, work and sports clothes, clothes in classic and trend colours, in sizes from XS to 6XL. New Wave Group's promowear brands are divided into different concepts that include brands such as Clique, James Harvest Sportswear, Cottover and D.A.D Sportswear.

New Wave Group can through its concept, which includes such brands as d-vice, Queen Anne and Toppoint, offer everything from pens, powerbanks and gift cards, to handbags, bed linens and towels. Since many companies are giving seasonal gifts, especially at Christmas, the fourth quarter is a key sales period for promotional gifts and corporate gifts.

"The promotional gift concept is broad and the subdivision covers a multitude of products and price classes."

The final piece of the Corporate puzzle is workwear. In Sweden and the Nordic countries, there is a vast need for, and expertise in, personal protection and the issue is intensely promoted by trade unions and employers. This means that Swedish professional clothing brands have a high reputation in Europe and the rest of the world. Belonging to a company or profession and being identified by the same has become an important way of communicating through professional workwear. New Wave Group can through its two brands, Jobman and Projob, offer workwear for professional categories such as construction and installation workers, painters and plasterers, transport and service workers, as well as hotel and restaurant workers. The collection is all-inclusive, ranging from underwear to outer garments for all seasons and weather conditions, reflective clothing, flame protective workwear and accessories. All garments and products are ergonomic, functional and durable and come in sizes for both women and men.

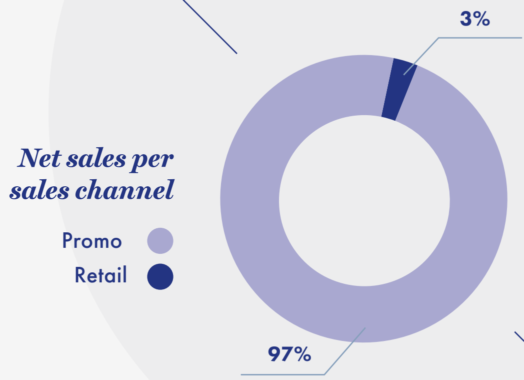
Promo - all that can be branded

The operating segment Corporate sells primarily promo products. These are articles intended to be refined through various techniques of marking, in order to become a part of companies' and organisations' internal or external marketing. There are few limits to what can be done in terms of marking and the technical development is at a very high pace. The large share of promo sales comes from neutral products on stock, whereas the marking service is supplied by the next level in distribution, the promo resellers. Yet the sale of trading products, pre-refined in the production stage, is also extensive, especially when order volumes are large.

PRIO. Short for priority, created by Projob.

Trademarks


J.HARVEST & FROST
CORPORATE SHIRTMAKER
PROJOB
JAMES HARVEST sportswear
D.A.D SPORTSWEAR
d-vice PROMOTE
MAC ONE
CLIQUE
cottover
people & planet
LORD NELSON
VICTORY
JOBMAN
WORKWEAR
Printer
ACTIVE WEAR
GRIZZLY
active profile outfit
queen anne
JINGHAM
TOPPOINT
Price segment
Workwear
Promowear
Promotional gifts



Sales channels

The segment's products are primarily intended for the promo sales channel, where the majority of sales are also found (**97**%). However, the products can also be sold in the retail sector, as many of the products are in common. The promo sales channel places demands on high service level and availability. For example, a company that orders promowear in their company's colour to its employees or customers, depends on the supplier being able to deliver a full size sorting and the right colours. For example, if New Wave cannot deliver products in the size medium or the end customer's corporate colour, it will choose another supplier. The Group's objective within promo is to deliver **98**% of its products within **24** hours.

The Nordic promowear and promotional gifts market is distinguished by a clear distribution chain: manufacturer – wholesaler – retailer – end customer. The distribution is not as well organised in Southern and Central Europe. Distributors who market brands that they do not themselves own often have substantial influence in the market. The North American market is more developed and the distribution chain resembles the Nordic market.

In Sweden, there are about **3,000** retailers of promowear and promotional gifts, a high figure per capita compared with the rest of Europe and the United States. There is a wide variety of retailers, ranging from simple sole proprietorships to large companies with high-end displays and travelling sales forces. Some retailers target one of the three subdivisions, while others work all three. Most are pure sales companies, but it is also common that retailers also print, embroider and engrave in order to have a more complete offering.

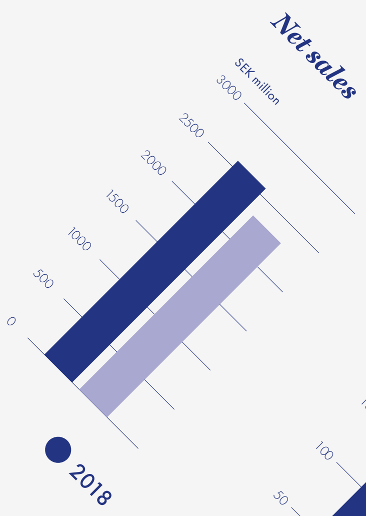
Workwear has traditionally been sold via specialised outlets for example construction, industry and paint shops, but today workwear is sold through many other channels such as pure workwear and protective clothing stores as well as promo dealers. Those who sell workwear operate together with the already established brands or by developing their own brands and collections. The market for workwear for the public has also increased, which has led to an increase in the range of workwear at specialist retailers that target private individuals.

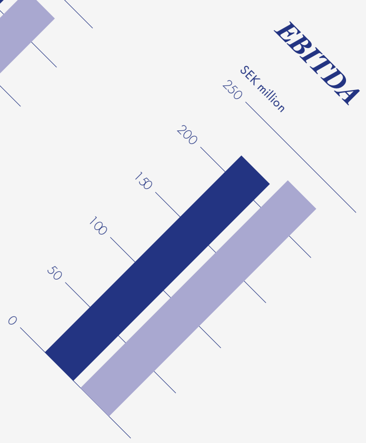
Capital tied up

The capital tied up in inventories is relatively high, but is a prerequisite for success in the promo sales channel. The customer is dependent on the supplier being able to deliver full size sorting and in the right colours, otherwise another supplier is chosen. However, the risk of obsolescence is low because a larger part of the range is timeless basic products that there is a need for, season after season. Many of the products are common to both the promo and retail channels, which offers significant risk diversification, and means that catalogues can also be common. Adjustment for changed purchase prices is made continuously as it is about immediate sales and the currency risk can thus be limited. When it comes to capital tied up in accounts receivable, sales are made to selected retailers and credit losses are relatively low. In **2018**, the confirmed credit losses within Corporate amounted to **0.09** (**0.08**) % of sales.

Craft named best Teamwear supplier by the German magazine SAZ Sport

- Craft
- Cutter & Buck
- AHEAD



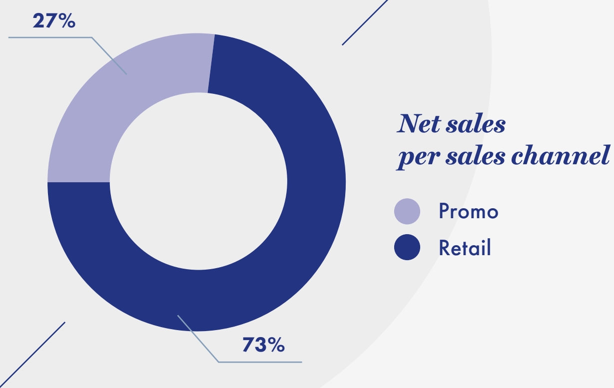


The three operating segments

Sports & Leisure

Sports & Leisure includes several internationally well-known sports brands like AHEAD, Auclair, Craft and Cutter & Buck. Business is conducted in 14 countries, focusing on the Nordic countries and North America. In addition to our own brands, we also have the distribution right for Speedo in Scandinavia. Sports & Leisure answered for 41 % of the Group's sales and SEK 218.2 million of its EBITDA in 2018. Most of the sales relate to the retail market, but sales also take place in the promo market.

p. 024 - 029



Sports & Leisure

Our offering

In the Sports & Leisure segment, New Wave Group offers clothes and shoes for the active consumer from several fully-owned brands. The range is adapted to different uses and activities, from basic garments to high-tech products for extreme exercising. Most of the segment's sales are to the retail trade, such as sports, golf, hunting, fishing, shoe and fashion trade, but sales are also made to profile retailers.

The segment has most of its sales in the Nordic region and North America, but also Central Europe is an important market and then mainly Germany and the Benelux area.

New Wave Group has a portfolio of strong sports brands within different areas. The Group's main strategy is to own and hence develop brands, which is why licensing and distribution rights have not been part of the core business historically. However, the Group has the distribution right for the brand Speedo on the Scandinavian markets.

Sales channels

All brands in the operating segment have the retail trade as their natural channel to meet the market.

It is also here that the segment has most of its net sales (**73** %). Trademarks such as Craft, Seger, Clique retail and Speedo have an established position within the sports trade and Cutter & Buck and AHEAD at golf facilities.

> ***"In the Sports & Leisure segment, New Wave Group offers clothes and shoes for the active consumer from several fully-owned brands."***

The products are also sold in the promo sales channel and mainly to sports associations. Promo sales are expected to increase as Craft's focus is on new products for associations and clubs. The promo sales channel places demands on high service level and availability. A company or association that, for example, orders promowear is dependent on the supplier being able to deliver a full size sorting and the right colour. For example, if New Wave cannot deliver medium or the end customer's colour choice, then they will choose another supplier. The Group's objective within promo is to deliver **98** % of its products within **24** hours.

Capital tied up

New Wave Group's objective is to keep the stock of fashion items low since the lifespan for these items is short. The segment's capital tied up in inventories is relatively high, but differs somewhat between the sales channels.

In the retail trade, sales are largely done through pre-orders compared with the promo market where delivery is made directly to orders. This means, for instance, that the retail customer places orders in the spring for goods to be delivered in the autumn.

Approximately **70-75** % of sales in the retail trade take place through pre-orders. In connection with orders from customers, the Group places orders at the factory, which significantly limits the obsolescence risk. The remaining sales in the retail sector, so-called complementary sales, are mainly basic goods with a limited fashion risk.

The bulk of the inventory relating to the retail trade, has less fashion-sensitive areas such as Craft's functional underwear and club collections as well as Clique's basic garments.

The capital tied up in inventories for promo is higher but is a prerequisite for success in the promo sales channel. A company or association that, for example, orders promowear is dependent on the supplier being able to deliver a full size sorting and the right colours. However, the risk of obsolescence is low because a larger part of the range is timeless basic products that there is a need for season after season. Many of the products are common to both the promo and retail channels, which offers significant risk diversification, and means that catalogues can also be in common.

In order to limit the currency risk in the retail channel, approximately **50-75** % of the currency-exposed purchasing costs are hedged. Within the promo sales channel, adjustment for changed purchasing prices is made continuously as it is about immediate sales. The currency risk can thus be limited.

Regarding the capital tied up in accounts receivable, sales are made to selected retailers and the credit losses are low. However, there is a higher concentration to a fewer number of retail customers compared to the promo market. In **2018**, the confirmed credit losses in the operating segment amounted to **0.09** (**0.17**) % of net sales.

2018

Trademarks

Sköna Marie

Sköna Marie is a classic Swedish shoe brand that manufactures functional high-quality women's shoes. Sköna Marie always uses the very best raw materials and most models are made of real leather, a breathable, soft and very comfortable material. The shoes are sold through a nationwide network of retailers in shoe- and health trading as well as e-commerce. Main competitors are Ecco, Rieker and the shoe retailers' own brands.

Termo

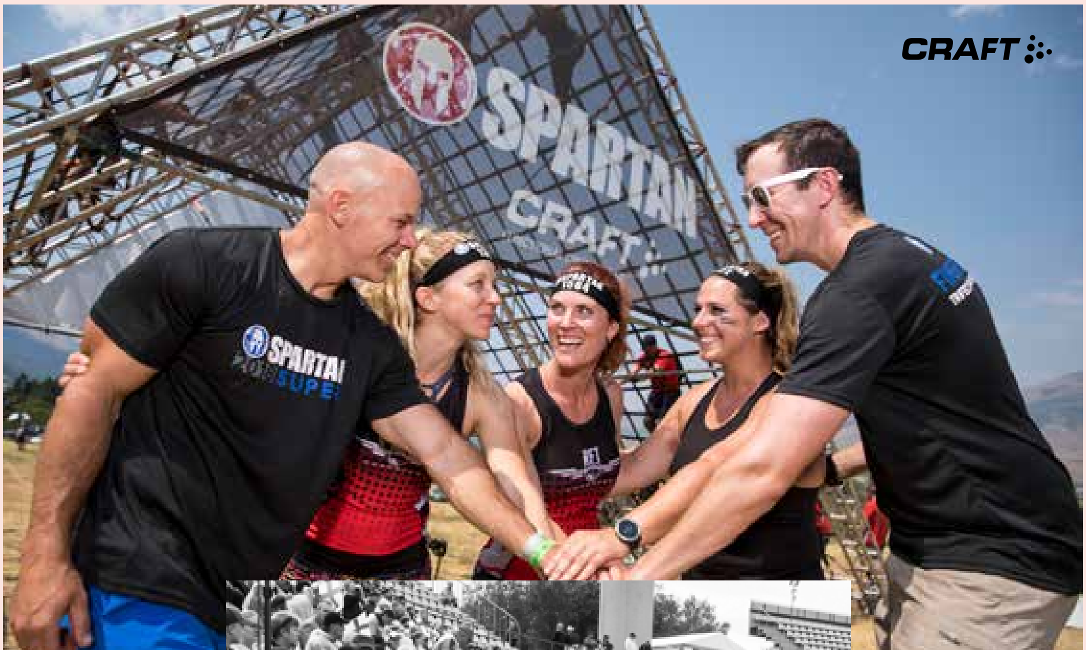
Termo is one of our most recent brand acquisitions and, at the same time, one of our oldest brands as the products have their roots since their beginning in **1921**. *Termo is a complete collection of underwear and functional garments of knitted wear for different professional groups, but is also used extensively by hunters, adventurers and athletes. The materials are developed and produced in their own knitting factory in Sweden and the garments are designed and constructed in the company's own design and sewing department. Termo has its largest sales in Europe where for many years it has been a leading supplier of functional underwear to police and military authorities.*

PAX

PAX has for more than **90** *years been dedicated to manufacturing high-quality shoes for children and is nowadays one of Sweden's most prominent shoe manufacturers. High functionality, carefully selected materials and innovative design is PAX's insignia. The shoes are sold through a nationwide network of retailers and the e-commerce. Main competitors are the shoe retailers' own brands as well as Ecco, Kavat and Viking.*

Paris Glove

Paris Glove was founded in **1945** *and has a long experience of producing fashionable gloves and winter accessories. Paris grew from a small domestic manufacturing company in the fashion capital of Canada, Montreal, to becoming a leader in global sourcing. The company continues to drive new Canadian design concepts and collections in order to stay at the forefront of winter accessory trends. Products made from leather, suede and shearling as well as knitted mittens make up the annual offering that customers enjoy during the cold winter months in North America.*



Spartan
Craft and Spartan in global partnership to create high-performance apparel specifically designed for obstacle course racing.

Athletics
Craft collaborates and develops functional garments together with the Swedish athletics national team.

Laurentide

For over ***70*** *years Laurentide has delivered high quality work gloves and clothing to the North American industrial and utilities marketplace. Longstanding supply agreements with key distributors and utility companies have kept Laurentide at the forefront of supply and service to the growth of North America's infrastructure.*

AHEAD

AHEAD designs and markets branded headwear, clothing, and accessories, which are customized with AHEAD's high quality graphics for golf shops, tournaments, and resorts worldwide. Founded in New Bedford, MA, USA in ***1995****, AHEAD is the recognized leader in the golf headwear market and under New Wave Group's ownership has expanded into the promo market. AHEAD has an extensive presence on the PGA Tour as well as the golf's Majors, including the U.S. Open, British Open, and PGA Championship. AHEAD enjoys exclusive partnerships with Jack Nicklaus, Annika Sörenstam, and with the Arnold Palmer Enterprises.*

Craft

The innovative Craft sportswear is designed for the fast-paced nature of modern athletes everywhere. By combining modern design with superior functionality and exceptional ergonomics, the brand's cutting-edge products enable world champions and everyday heroes to enjoy their athletic experience. With its heritage in Scandinavian nature and passion for endurance and fitness sports, the brand appears in the categories Baselayer, Run, Nordic Ski, Bike, Sportswear, Trainingwear, Studio, Teamwear and Footwear.

Since ***1977****, Craft has delivered optimal performance through innovative functional clothes. For almost as long, the brand has been a part of the professional sports world. The company's knowledge of how a training and competition item is designed to offer optimum function comes largely from a long and rewarding collaboration with elite athletes throughout the world.*

Sweden is the brand's home market and the largest market for sales. Defined focus markets with great potential are the other Nordic countries, the Benelux countries, the United States, Canada and Germany.

Competitors vary slightly depending on segment and market, but some examples are Adidas, Castelli, Nike, North Face, Odlo and Swix. Craft's goal is to continue its expansion phase and establish a strong international market position.

Seger

Seger creates functional high-tech knitted garments for a better sporting experience. During the company's 70-year history, Seger has become known for quality and durability in every detail. Seger is constantly working to improve the work for environment and nature. Since January 2017, the entire factory has been powered by wind power from a plant just a few kilometers from Seger's knitting machines. Seger has its largest sales in the Nordic countries.

Cutter & Buck

Cutter & Buck is a world-leading golf inspired American clothing brand for men and women who appreciate groundbreaking, exclusive sports and leisure wear. Cutter & Buck's extensive collaboration with golf legend Annika Sörenstam has resulted in the ANNIKA collection, inspired by Sörenstam's passion for golf and strive for perfection. Cutter & Buck is sold via several different distribution channels, including the golf retail sector, the promo market, the fashion retail sector and directly to consumers via e-commerce. The long term objective is to build up a strong position within the golf and fashion sectors even in the European market. The American company Cutter & Buck is also a strong platform in the North American market for the establishment of other New Wave concepts.

Auclair

With roots as a family company from humble beginnings in Quebec, Canada 1945, Auclair has grown to become one of the most trusted brands during the winter months and known for delivering high quality performance products. Auclair is well prepared for what winter brings and is known to offer a full range of products from high caliber ski gloves to fashionable on-trend lifestyle collections with everything in between. Working with world-class athletes and sponsorship of national teams is part of Auclair's DNA. These sponsorships play a key role in the product development process, which includes product validation and testing of new concepts. The end results deliver new innovative products that ensure world-class athletes and active consumers around the world can outperform every winter.

Marstrand

Marstrand is a marine lifestyle brand with the classic sailing shoe as the brand's most visible carrier. The collection breathes craftmanship and has a relaxed feel and style which is available for a wide target group to identify with. The shoes are sold through a nationwide network of local retailers and e-commerce. The main competitors are Timberland and Sebago.

Clique Retail

Clique Retail is comfortable and appealing affordable garments, products that stands for good quality in terms of price. The products are primarily basic ready-to-wear i. e. products with high turnover rate and great profitability for the store. Our biggest challenge is to explain the brand's simple but profitable concept: We hold inventory and thus take the greatest risks of loss of profitability. Sweden is Clique Retail's largest market at the moment and its customers are mainly sports chains, the everyday commodity sector and other retail stores. Clique Retail's biggest competitors are the sports chains' own brands.

Speedo

New Wave Group has the distribution right for the brand Speedo in the Scandinavian markets. Speedo was founded as far back as 1914 in Bondi Beach, Sydney, Australia and is the most sold swimwear brand in the world. Speedo has been a world leading racing brand for a long time and more Olympic gold medals have been won in a Speedo swimsuit than in any other brand. Speedo's product line has broadened over the years and the Speedo logotype can now be found on everything from swimwear to swimming goggles, watches and exercise apps. Speedo's products are available in more than 170 countries across the world.

The three operating segments

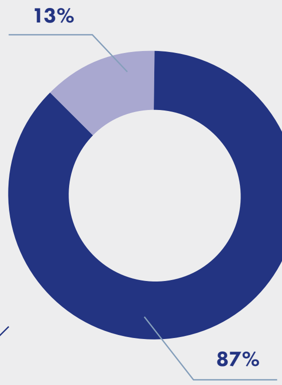
Gifts & Home Furnishings

The Gifts & Home Furnishings segment includes several strong brands such as Kosta Boda, Orrefors and Sagaform. In total, the brands are established in 15 countries, whereof Sweden is the largest market. The segment also includes Destination Kosta, which offers a variety of experiences. In addition to seeing the glass being manufactured close up, the destination also offers shopping in Kosta outlet, accommodation at Kosta Boda Art Hotel and various forms of wilderness experiences. Gifts & Home Furnishings accounted for 10 % of the Group's net sales and had an EBITDA of SEK -10.6 million. The brands are mainly sold on the retail market, but sales also take place on the promo market.

p. 030 - 035

The segment offers the market well-designed and qualitative products at different price levels to a customer interested in home furnishings

- *Sagaform*
- *Kosta Boda*
- *Orrefors*



Net sales per sales channel

- Promo
- Retail

Peak
Under the motto "Great Drinking Experience", Orrefors contributes with the series Peak.

Gifts & Home Furnishings

Our offering

Gifts & Home Furnishings offers products from, among others, the Kosta Boda, Orrefors and Sagaform brands. Common to these is to offer the market well-designed and qualitative products at different price levels to a customer interested in home furnishings. The brands have an offering that will help to create a more beautiful everyday life and that can serve as a gift to yourself or to someone else. Kosta Boda and Orrefors as leading brands in the category of glass, offer self-produced exclusive glass of the highest quality and with high design factor while Sagaform stands for products in various materials intended for the kitchen and table setting. Gifts & Home Furnishings' range is sold through traditional specialist retailers, e-commerce, profile retailers or through own stores. In addition to the Swedish home market, the export market is an important part of the segment's operations and the United States, Scandinavia and Central Europe are important markets.

In addition to the above brands, Destination Kosta is also included in the segment. Destination Kosta works to promote tourism to Kosta. By being the unifying link for New Wave Group's represented activities in the area, we try to create collaborations and synergy effects across the various areas of activity.

At Kosta glassworks you can see how the glowing glass takes shape. The glass experience then continues at Kosta Boda Art Hotel, with its unique spa and design hotel with a first-class restaurant.

Kosta is also a destination for nature experiences. Kosta Lodge offers affordable accommodation nestled in the Småland nature and at Kosta Safari Park you can meet European bison, fallow deer and mufflon sheep. At Kosta Wilderness Camp, friends or conference groups can challenge themselves or each other in a multi-match. It also offers fishing, crayfish fishing and hunting. Those who want to experience nature on their own can rent a bicycle, canoe or fishing equipment via Kosta Rental Center.

At Kosta Outlet, brand shopping is offered, with everything from clothes to hunting accessories, books, toys, flowers and decor. Here you can also eat or drink something good at one of the various restaurants. In connection with the outlet, the factory stores for Orrefors and Kosta Boda can be found and you can buy the glass you had the opportunity to see being manufactured in the factory.

> ***"The brands have an offering that will help to create a more beautiful everyday life and that can serve as a gift to yourself or to someone else."***

Sales channels

Most of the segment's sales are in the sales channel retail (**87** %). Swedish retail has for some time undergone and undergoes a major restructuring in which the consumer's interest in the traditional glass and porcelain trade is diminishing in favor of design and interior stores. The development of e-commerce. is another strategically important part where the customer's changed trading patterns require a completely different accessibility than before. Brands such as Kosta Boda, Orrefors and Sagaform have an established position in the retail sector and have the opportunity to make sales both in the traditional way and through e-commerce. A growing part of the segment is Destination Kosta, where all sales belong to the retail sales channel.

Part of the Kosta Boda, Orrefors and Sagaform brands are sold to the promo market, where the products are used as everything from simple gifts to exclusive gifts for jubilee or memorable occasions. Kosta Boda and Orrefors retain their position as interesting brands on occasions when you want to show appreciation with objects of more high-quality character. Sagaform's products are in demand as Christmas and summer gifts for employees and customers. The sales channel promo places demands on high service level and availability. For example, a company that orders Christmas gifts for its employees or customers depends on the supplier being able to deliver on time. If New Wave fails to do this, then the customer will choose another supplier. The Group's objective within promo is to deliver **98** % of its products within **24** hours.

Capital tied up

Production for Orrefors and Kosta Boda takes place throughout the year, while sales mainly take place during the second half of the year. Capital tied up is thus greatest during the first part of the year. Most of the production is classic and great-selling product series such as Château, Intermezzo, Line, Mine and others, which in many cases has a product cycle of more than **20** years, which limits the risk of obsolescence. For the part that is not self-produced, most of the purchases are made against stock for resale to the customer. It normally requires a higher capital tied up in inventories for promo, as this is a prerequisite for success within this sales channel. However, the risk of obsolescence is low, as a larger part of this range is timeless basic products where there is a demand season after season. Most of the products are also common to the sales channels promo and retail, which contributes to a risk spread. Price adjustments for changed purchasing prices are made continuously and the currency risk can thus be limited.

Sales are made to selected retailers and credit losses are low. However, there is a higher concentration to a fewer number of retail customers compared to the promo market. In **2018**, the confirmed credit losses in the operating segment amounted to **0.31** (**0.28**) % of sales.

Trademarks

Sagaform

*For over **20** years, Sagaform has contributed to creating good and loving relationships by offering carefully selected, affordable and well-designed gifts in stylish packaging that are equally fun to give away as to get, or to buy for yourself. To eat together, just like giving each other gifts and presents, has been a way to build strong relationships since the beginning of time. Sagaform has from the start, combined these two traditions by offering an assortment of gifts for the kitchen and table. The collaboration with renowned designers means that a gift from Sagaform suits everyone and gives each kitchen and table that little extra. Sagaform works with a broad distribution in both the retail and promo markets, with a focus on Sweden, where the goal is that Sagaform should be the first choice for caring people and companies at every possible gift occasion.*

On the export side, the other Nordic countries together with England and Germany are top priority.

Orrefors in collaboration with Volvo cars.

Orrefors

Under the motto "Great Drinking Experience", Orrefors contributes with high quality and well-designed crystal glasses in order to enhance the experience of food and drink. Orrefors has met the increasingly strong bar and cocktail trend by supplementing the range with additional bar products. The Peak series, which is designed for parties and splendor, has received a very positive reception both in the Swedish and international markets. During the year, Orrefors continued to develop products for Volvo. A collaboration where two of Sweden's strongest brands meet in an exciting concept. Another factor that contributes to this positive development is new distribution channels.

Kosta Boda Art Hotel

Kosta Boda Art Hotel in Kosta is the world's first art glass hotel. The hotel is a living showroom for the glass and manages a heritage since **1742**. *With its* **102** *rooms, conference facilities, indoor and outdoor pools as well as a large spa and relaxation area, the hotel has provided Kosta, as a tourist destination, a fantastic boost and the number of visitors throughout the region has increased. Two restaurants and a bar, with different food concepts, create the prerequisite for providing guests with the desired dining experience.*

In **2018**, *the hotel received the "Certificate of Excellence" award for the third consecutive year and with that the Hall of Fame award, by Tripadvisor. The hotel is unique in its kind, originating out of the glass, designed for the experience.*

Kosta Förlag

Kosta Förlag runs a publishing house and the shop Books & Toys in Kosta. The publishing house publishes books that in various ways highlight the Group's other brands such as Craft, Kosta Boda Art Hotel and Brasserie **1742**. *The publisher has also published a number of books with designers from Orrefors and Kosta Boda.*

Kosta Lodge and Safaripark

The lodge was completed in summer **2016** *and has* **212** *beds, restaurant, pool area with temperated pools, jacuzzi, wood-fired hot tubs, sauna and a large sun deck as well as a rental center. During* **2017** *and spring* **2018**, *the remaining rooms were renovated in the older hotel section. As of* **10** *May* **2018**, *the safari park was ready to greet visitors. There are wild animals such as red deer, fallow deer, mufflon sheep, wild boars and European bison. Kosta Lodge can now offer fantastic experiences and create an attractive place for the active family as well as for couples or friends who want to experience everything the kingdom of crystal has to offer.*

Kosta Boda

Kosta Boda stands for colourful, brave, subtle and provocative products with innovative design. The conscious design-interested customer is offered an assortment that ranges from beautiful utility items to unique art glass objects created by some of Sweden's foremost glass artists.

Art glass from Bertil Vallien still has very high demand, especially in the American market. Kosta Boda started working with several new designers in **2018**. *Mattias Stenberg and his exhibition Redux attracted young glass-interested customers and Mårten Medbo received a lot of attention for his exciting art glass in new technologies. The brand's high ambition and good quality are confirmed by the fact that Kosta Boda's designers received several prestigious design awards. Frida Fjellman was rewarded by Design-S for her glass work reflected through the series "Whats Up" with the motivation "A designer who has taken the craft to a new level". Furthermore, Hanna Hansdotter was named "Star of the Year" at Elle Decoration Swedish Design Awards.*

Towards a sustainable growth

CSR and Sustainability

New Wave Group believes in sustainable growth. It is important for us to adapt business solutions that are financially profitable, but also sustainable from a social and environmental perspective.

The objectives are to maximize our contribution to globally agreed goals for sustainable development, create long-term value for the company and at the same time take stakeholders' expectations into account. The work includes, amongst several things, to improve working conditions in the supply chain, cutting emissions of green-house gases and introducing organic and eco-friendly materials. Another important aspect is also to actively spread knowledge and raise awareness about sustainable consumption and sustainability aspects in the production of textiles and other goods. In this way, the Group can contribute to global goals for sustainable development while ensuring a good dialogue with customers and other stakeholders.

Risks are an inescapable part of New Wave Group's mission. Constant adjustments are required to meet the customers' growing demands for transparency and sustainability, as well as changes in legislation. Our ambition is to constantly be at the forefront and what makes the biggest difference is how we operate our daily business. Therefore, we have identified three focus areas which we believe are the most important in order for New Wave Group to integrate sustainability with our core business: sustainable products, sustainable production and sustainable distribution.

Sustainability report

This is the second year New Wave Group issues a Sustainability Report. Here we provide a comprehensive picture of how New Wave Group works with sustainability and highlight our accomplishments – but also reflect on how we can improve. In this year's report we have taken the next step and have put our sustainability efforts in a broader context within the framework of the **17** global sustainability goals. As in previous year, we have chosen to report with support from GRI Standards, Global Reporting Initiative's latest guidelines.

Highlights 2018

Heavy reduction of emissions from transport as a result of less number of shipments with improved fill rate.

Our eco-labeled brand Cottover has continued to show a good sales trend. In addition, we continue to increase the amount of products coming from sustainable sources.

Continued increase of suppliers in risk countries evaluated by independent third party against our Code of Conduct. For **2018**, factories that stand for approximately **92** % of the total purchasing volume through our buying offices have valid audit reports from amfori BSCI or equal third party monitoring system.

We have continued our efforts on communication and education. For example, the majority of the employees within the Group have completed an online training on CSR and Sustainability and how New Wave Group works with the questions. In the spring of **2018**, we also had a successful lecture series, "CSR Tuesdays with New Wave Group", for retailers and employees within the Group.

In May **2018**, the Kosta Safari Park opened, which enables many smart sustainability solutions for the Kosta destination such as reduced food waste from Kosta's restaurants and locally produced and climate-smart raw materials.

Read

Read more about how New Wave Group works with CSR and sustainability in the separate Sustainability Report, available on ***www.nwg.se.***

"The objectives are to maximize our contribution to globally agreed goals for sustainable development"

13,780

shareholders as of 31 December 2018

New Wave Group AB (publ)

Corporate governance

New Wave Group applies the relevant rules laid down in the Swedish Code of Corporate Governance ("the Code") and the Swedish Annual Accounts Act. The company's Board of Directors has thus drawn up this corporate governance report. More information about the Code may be found at www.bolagsstyrning.se, where there is also a description for foreign investors.

Responsibility for management and supervision of the Group is delegated between the shareholders at the Annual General Meeting, the Board and the CEO, which is done in accordance with the Swedish Companies Act, other legislation and regulations, applicable rules for listed companies, the company's articles of association, the Board's internal rules of procedure and other internal control instruments.

Shareholders

As of **31** December **2018**, the company had **13,780** shareholders. The proportion of share capital owned by institutions amounted to **46** % of the capital and **13** % of the votes. Foreign investors owned **14**% of the share capital and **4** % of the votes. The **10** largest owners had a total holding corresponding to **68** % of the share capital and **91** % of the votes. For further information on the owners as of **31** December **2018**, please see pages **48** - **49**.

Annual General Meeting

The highest decision-making body is the Annual General Meeting (AGM), at which all shareholders are entitled to participate. The AGM is entitled to make decisions on all matters that are not in breach of Swedish law. At the AGM the shareholders exercise their voting rights to make decisions on the composition of the Board of Directors, the auditors and other important matters such as adoption of the company's balance sheet and income statement, appropriation of profits as well as deciding to grant the Board of Directors and the CEO discharge from liability. This is in accordance with New Wave Group's articles of association and Swedish legislation.

2018 Annual General Meeting

The AGM for shareholders of New Wave Group was held on **16** May **2018** in Kosta. Olof Persson was elected chairman of the meeting.

The following resolutions were passed:
The AGM adopted the income statement and balance sheet, as well as the consolidated income statement and balance sheet, resolved to appropriate profits in accordance with the proposed appropriation of profits including a dividend of SEK **1.70** per share to take place for the **2017** financial year, and discharged the Board members and CEO from liability.

In accordance with the Nomination Committee's proposals, the AGM resolved:

- *that there shall be five (**5**) Board members elected by the AGM, and no deputies will be appointed*
- *that remuneration to the Board amount to SEK **350,000** to the Chairman of the Board, and SEK **165,000** to each of the other Board members — who are not employed in the Group - and additional SEK **55,000** to each Board member who is a member in the Audit Committee (SEK **220,000** including remuneration from Audit Committee).*
- *that remuneration to auditors shall be paid according to approved calculations and agreements*
- *that Olof Persson, Torsten Jansson, Mats Årjes, Christina Bellander and M. Johan Widerberg are appointed as Board members (all re-elected)*
- *that Olof Persson is appointed as Chairman of the Board (re-elected)*
- *to re-elect Ernst & Young AB as auditors until the close of the Annual General Meeting **2019***
- *on the principles for the appointment of a new Nomination Committee*

In accordance with the Board of Directors' proposals, the AGM resolved:

- *on guidelines for remuneration to senior executives*
- *to authorise the Board to make decisions regarding share issues*
- *to authorise the Board to raise financing*

Complete information about the **2018** AGM is available on the website, www.nwg.se.

2019 Annual General Meeting

The annual shareholders meeting will be held on **17** May **2019** at **1**:**00** p.m. in Kosta, Sweden.

Nomination committee

The nomination committee represents the company's shareholders. It has the task of submitting proposals to the AGM in regards to decisions on, among other things, the appointment of the Board of Directors and the auditor, and remuneration to them. The nomination committee consists of one representative for each of the company's three biggest shareholders, chosen on the basis of personal qualities. If any of these shareholders decline to appoint a member of the nomination committee, the next shareholder in terms of size is given the opportunity to appoint a member. Information regarding the composition of the nomination committee is normally published in the interim report for the third quarter.

The work of the Board, working methods and efficiency are evaluated by way of an evaluation questionnaire within the Board. The nomination committee's evaluation of the work of the Board takes place partly on the basis of the Board's evaluation questionnaire and partly through interviews with the Board members.

The composition of the nomination committee, before the election of Board members at the 2019 AGM, is as follows:

- *Arne Lööw, representative of Fjärde AP-fonden and the committee's chairman*
- *Torsten Jansson, CEO and representative of Torsten Jansson Förvaltnings AB*
- *Ulf Hedlundh, representative of Svolder*

As per the Code, the CEO or other company executive cannot be a member of the nomination committee. Torsten Jansson is a member, as well as principal owner and a deviation from the Code has thus been made, and is explained by the high ownership.

The nomination committee represents around **85**% of the votes in New Wave Group as of **31** December **2018**. All shareholders are able to contact the nomination committee to propose candidates to the Board. The nomination committee has held a number of meetings and in between these meetings maintained contact by phone and e-mail. Among its many tasks, the nomination committee has evaluated the Board of Directors on the basis of the company's future development and challenges in order to achieve a good combination of expertise and experience.

Independence of the Board

The New Wave Group Board is subject to the requirements for independence described in the Code. The requirements mainly involve that only one person from the company's management may be a member of the Board, that a majority of the elected members of the Board shall be independent in relation to the company and its management, and that at least two of the elected members who are independent in relation to the company and its management should also be independent in relation to the company's major shareholders.

As CEO and major shareholder of New Wave Group, Torsten Jansson is considered to be dependent in relation to the company and the company management. Olof Persson, Christina Bellander, Mats Årjes and M. Johan Widerberg are considered to be independent in relation to both the company and the company's major shareholder. It is thus the opinion of the nomination committee that the current composition of the New Wave Board satisfies the requirements for independence laid down in both the Code and in the rules and regulations of NASDAQ OMX Stockholm for issuers. For a detailed presentation of the Board, Board Members assignments and holdings in New Wave Group, please refer to pages **52-53**.

The Board and its work

The Board of New Wave Group consists of five members elected by the AGM. The Board's working procedures are defined in the rules of procedure, which regulate the delegation of responsibility between the Board and the CEO, the CEO's authority, the meeting schedule and reporting routine. The Board meetings deal with budgets, interim reports, year-end accounts, state of business, investments and new launches. They also deal with general issues relating to the long-term business strategy as well as structural and organisational issues.

The working language of the Board's meetings and documentation is Swedish. As a rule, between seven and twelve Board meetings are held each year. During **2018**, the Board met on nine occasions. Göran Härstedt is the Board's secretary.

The Chairman organises and leads the Board's work so that this is carried out in accordance with the Swedish Companies Act, other legislation and regulations, applicable rules for listed companies, including the Code, and the Board's other internal control instruments. The Chairman follows operations in dialogue with the CEO and is responsible for other Board members receiving the information required to complete the Board's tasks.

Audit committee

Audit committee (AC) is a Committee to the Board of Directors and members are appointed by the Board of Directors. The Committee shall consist of at least two members of the Board. The majority of the AC's members shall be independent of the company and its management. Members of the Board who are part of company management cannot be a member of the AC. M. Johan Widerberg is President and Christina Bellander is a member of the Committee. Both are independent in relation to the company and its management. CFO is adjunct to AC and the committee's secretary.

The Board assigns to the AC to prepare and decide on audit issues and report discrepancies to the Board. The Board decides however on the appointment of an internal auditor and the external auditor reports directly to the Board. AC shall on the Board's instructions be responsible for the work to ensure the quality of the company's internal management and control in regards to:

- *financial reporting*
- *risk management and risk control*
- *compliance*
- *other internal management and control*
- *matters which the Board refers to AC*

AC shall meet on a regular basis four times per annum and its protocols shall be communicated to the Board of Directors. During **2018**, AC met on four occasions and all members participated in these meetings.

The Board of Directors	**Presence**	**Independent**	**Remuneration**
Olof Persson, chairman	9/9	YES	343 333
Christina Bellander	9/9	YES	215 000
Mats Årjes	7/9	YES	161 667
M. Johan Widerberg	9/9	YES	215 000
Torsten Jansson	9/9	NO	0
Elisabeth Dahlin (resigned member)	5/9	YES	51 667
Total			**986 667**

Remuneration committee

There is no specially appointed remuneration committee to deal with wages, pension benefits, incentives and other employment related conditions for the CEO. These issues are dealt with by the Board as a whole. The employment conditions of other members of Group management are determined by the CEO and the Chairman of the Board.

New Wave Group's compensation policy for senior executives:

- *Remuneration to the Group CEO and other members of Group management comprises fixed salaries at competitive market rates.*
- *Variable remunerations such as bonuses may be paid when this is justified in order to be able to recruit and maintain key staff so as to stimulate improvements in sales and profits as well as the work involved in achieving specific key figures set by the Board. Variable remunerations shall be based on predetermined, measureable criteria such as performance of New Wave Group or return on equity compared to fixed targets. The variable remuneration shall not exceed **50** % of the fixed remuneration. Total yearly cost for the performance based remuneration cannot exceed SEK **10** million.*
- *The Board shall in respect of each financial year consider whether a share or share price related incentive program which covers the year in question shall be proposed to the AGM or not. The AGM makes the final decision regarding such incentive programs.*
- *There shall be no special fee for Board work in Group companies for senior executives.*
- *Pension benefits shall be equivalent to an ITP plan or, for senior executives outside Sweden, pension benefits which are standard in the relevant country.*
- *A mutual notice period of no more than six months and no severance pay shall apply for all senior executives.*

Conditions of employment for the CEO

Remuneration to the CEO comprises a fixed salary. No Board member's fee or other remuneration (bonuses) is paid to the CEO. Pension benefits are paid in accordance with the ITP plan. A mutual notice period of six months applies for the CEO, without severance pay.

Remuneration to the Board

The AGM decides on the fee for the Board members who are elected by the AGM. The division of the fee between the Chairman and other members is set out in note **6** for the Group in the annual report. The Group has purchased consultancy services from related parties. No further remuneration has been paid to any Board member.

Group management

The Group's Board appoints the CEO of the Parent company, who is also the Group CEO. The CEO is responsible for the ongoing supervision of the Group and other members of the Group management report directly to him. The Group management consists of: CEO, Deputy CEO, CFO, Chief Buying Officer, Area Manager Asia, Area Manager North America, Manager Corporate, Manager Sports & Leisure and Manager Gifts & Home Furnishings.

Group management is responsible for formulating the Group's overall strategy, corporate governance, policies, the Group's financing, capital structure and risk management. They also deal with matters relating to company acquisitions and projects involving the Group as a whole.

For a more detailed presentation of management's assignments and holdings in New Wave Group refer to pages **54-55**.

Internal control and risk management relating to the financial reporting

General

According to the Swedish Companies Act, the Board is responsible for internal control. The aim of internal control is to create a clear structure of responsibility and an effective decision-making process. The Board has defined a number of basic documents of importance for financial reporting in order to guarantee an effective control environment. The Board's rules of procedure and the instructions for the CEO serve to guarantee a clear allocation of roles and responsibilities, with the aim of operational risks being managed effectively. The Board has also drawn up a number of basic guidelines and policies that are important for internal control, such as a financial policy, instructions for accounting and reporting, employee handbook, anti-corruption policy and a communications policy. The basic control documents are subject to review on an ongoing basis. An effective control environment also requires an adequate organisational structure and ongoing reviews of this. Company management reports to the Board on a regular basis following defined routines. Company management is responsible for the system of internal controls that is required to deal with significant risks in operating activities. Managers at various levels within the Group have clearly defined authority and responsibilities with regard to internal control.

- *Accounts receivable, which account for around **15** % of the value of the Group's assets*
- *Interest-bearing liabilities, which account for around **30** % of the Group's balance sheet total*

Control environment

The foundations of the internal control in relation to the financial reporting consist of the general control environment with organization, decision-making paths, authority and responsibilities that have been documented and communicated. Within New Wave Group some of the most important constituent parts of the control environment are documented in the form of policies, e.g. IT policy, financial policy, environmental policy and instructions, such as authorization instructions, manuals and a reporting handbook.

Financial risk assessment

The material risks New Wave Group have identified in connection with the financial reporting are inaccuracies in the reporting and valuation of stock, intangible assets, accounts receivable, interest-bearing liabilities, tax, currencies and the risk of fraud, loss or embezzlement of assets. The greatest financial risks in terms of value in the balance sheet are:

- *Stock, which accounts for around **46** % of the value of the Group's assets*
- *Intangible assets (mainly goodwill and trademarks), which account for **21** % of the value of the Group's assets*

Financial policy

The Group's finance function works according to an instruction given by the Board which sets out frameworks for how the Group's operations shall be financed and how, for example, currency risks and interest rate risks shall be dealt with.

IT policy

The Group's IT policy describes the Group's principles for application and safety within IT.

Communication policy

The Group's communication policy is a document that describes the Group's general principles for providing information.

Environmental policy
The Group's environmental policy sets out guidelines for the environmental work within the Group.

Anti-corruption policy
The Group's anti-corruption policy describes the Group's principles for work against corruption.

Control activities

In order to ensure the internal control works, there are both automatic controls in IT systems, which handle authority and authorization rights, and also manual controls in the form of reconciliations and physical counts. Detailed economic analyses of the result plus follow-up of plans and forecasts supplement the controls and provide a general confirmation of the quality of the reporting.

The Group performs reviews of the companies' accounting, which are reported to Group management. No CEO is permitted to appoint or dismiss a finance manager, and finance managers' report directly to the Group's CFO. The Group's risks with regard to financial reporting lay in the risk that material misstatements may occur when reporting the company's status and financial results. The company's accounting instructions and manuals, together with established follow up routines, serve to minimize these risks.

Information and communication

The most important control documents in the form of policies and instructions are updated regularly and communicated via relevant channels electronically and/or in printed form. For communication with external parties, there is an information policy which specifies guidelines for how this communication should take place. The purpose of the policy is to ensure that all information obligations are fulfilled correctly and in full.

Follow-up

Finance personnel and management at company and Group level analyze the financial reporting in detail every month. New Wave Group's decentralized corporate structure means that each company's financial department is responsible for ensuring that the financial reporting from each unit is correct, complete and on time. The controls in respect of the various processes and risk elements are evaluated by means of self-assessment, internal Board meetings and via the company's external auditors. Several processes are fully or partly centralized at Group level, such as purchasing, logistics, payments, financing, IT, consolidation and reporting. The Group's central finance organisation is responsible for implementing, further developing and maintaining the Group's control routines, and for performing internal controls of business critical matters. The Board receives financial reports on an ongoing basis, and at each Board meeting the financial situation facing the Group and the various companies is discussed. During the year the Board also receives reports from the company's auditors detailing their observations.

The companies

New Wave Group's organization is decentralized, with a high degree of independence and self-determination being delegated to company management. The objective is for the companies to be run in an entrepreneurial spirit, while at the same time enjoying the benefits of belonging to a large group of companies. The Group therefore consists of a large number of operational companies, approximately **70** in total. Board meetings are normally held three times a year in each company or sub-group. The composition of the Boards depends on the company's direction and its stage of development. In addition to Group management, the expertise of CEOs in "mature" companies are utilized in the Boards of local subsidiaries. The organizational model chosen by New Wave Group provides for effective benchmarking of profitability, tied-up capital and growth between companies, brands and markets.

Operating segments

The Group divides its operations into three operating segments: Corporate, Sports & Leisure, and Gifts & Home Furnishings. Within Group management there are people with responsibility for each operational segment in order to coordinate operations. The products for each brand follow the operational segments, but have separate sales teams for the different sales channels, promo and retail.

Sales channels

The Group's products are sold via two sales channels, promo and retail.

Concept groups

Within each operational segment there are a number of concept groups responsible for strategic direction, product development and marketing strategy for one or more brands.

Internal auditing

The Group has developed control and internal control systems whose compliance is followed up by the respective company management as well as by the Group's central finance department. The Board's methods of monitoring the Group's assessment of the internal control include contact with the company's auditors and the Audit Committee.

Auditor

At the AGM, the accounting firm Ernst & Young AB was appointed as auditor. Nina Bergman is the head auditor and among her other engagements are Semcon, Precomp and Zenuity. Nina Bergman owns no shares in New Wave Group.

Audit work

The Group applies International Financial Reporting Standards (IFRS) when preparing the Group's reports. The Group's interim report for the third quarter is the subject of a general review by the company's auditor. This review follows the recommendations issued by FAR SRS , the organization for authorized public accountants. The audit of the annual report, consolidated financial statements, the accounts and the administration of the Board and CEO is conducted in accordance with generally accepted auditing standards in Sweden.

After the auditors' review in October, they prepare an audit memo to the Board containing comments about individual companies and the Group as a whole. The auditors also present in person, a report of their observations from the audit, their appraisal of the Group's internal control and the application of accounting policies at one of the autumn Board meetings. The Board thereby receives information about internal control and compliance with rules, control of financial reporting, estimates, assessments and other matters that might influence the quality of the financial reports.

Articles of association

The articles of association are adopted by the AGM and contain fundamental facts about the company, e.g. what kind of business the company will run, the size of the share capital, the number of shares issued, the size of the Board of Directors and the procedure for convening the AGM. The company's articles of association state, among other things, that the Board of Directors shall consist of at least three and no more than seven members, that the Board has its registered office in Gothenburg, and that a class A share shall carry ten votes and a class B one vote. The complete articles of association are available at the New Wave Group website, ***www.nwg.se.***


Orrefors JERNVERK
Orrefors JERNVERK
Orrefors JERNVERK
SWEDEN 1726

Gothenburg 5 April, 2019
New Wave Group AB (publ)

Olof Persson
Chairman of the Board

Christina Bellander
Member of the Board

M. Johan Widerberg
Member of the Board

Mats Årjes
Member of the Board

Torsten Jansson
CEO and Group CEO

Auditor's report on the corporate governance statement

To the general meeting of the shareholders of New Wave Group AB (publ), corporate identity number **556350 - 0916**.

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year **2018** on pages **38** – **45** and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinions

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

Gothenburg, 5 April 2019
Ernst & Young AB

Nina Bergman
Authorized Public Accountant

SEK 2.00

proposed dividend per share

New Wave Group's Share

The Share

The share capital in New Wave amounted to SEK 199,030,629 distributed among a total of 66,343,543 shares. Each with a quota value of SEK 3.00. The shares carry identical rights to the Company's assets and profits. Each Series A share is entitled to ten votes and each Series B share is entitled to one vote. New Wave's Series B shares are listed at OMX Stockholm Mid Cap.

Kosta Boda Art Hotel

New Wave B

Listed on OMX Stockholm Mid Cap

Dividend policy

The Board's objective is that distribution to shareholders should be the equivalent of **40** % of the Group's result after taxes over one business cycle.

Shareholders

The number of shareholders amount to **13,780** (**14,509**) on **31** December **2018**.

Institutional investors accounted for **46** % of the capital and **13** % of the votes. At the same time the ten largest shareholders held **68** % of the capital and **91** % of the votes. Non-Swedish shareholders accounted for **14** % of the capital and **4** % of the votes.

2018

13,780

Shareholders as of 31 December 2018

47,40

Share price as of 31 December 2018

66,343,543

Total number of shares

New Wave Group's ten largest shareholders 2018-12-31

Shareholder	Number of shares	Number of votes	Capital %	Votes %
Torsten Jansson through companies	22 549 881	199 919 001	34.0%	82.0%
Avanza Pension	4 981 864	4 981 864	7.5%	2.0%
Fjärde AP-Fonden	3 317 567	3 317 567	5.0%	1.4%
Svolder AB	2 895 000	2 895 000	4.4%	1.2%
Unionen	2 653 000	2 653 000	4.0%	1.1%
City Bank New York	2 438 672	2 438 672	3.7%	1.0%
State Street Bank	1 735 232	1 735 232	2.6%	0.7%
Spiltan Aktiefonder	1 616 568	1 616 568	2.4%	0.7%
Hans Diding	1 333 000	1 333 000	2.0%	0.5%
Handelsbanken fonder	1 294 991	1 294 991	2.0%	0.5%
Total	**44 815 775**	**222 184 895**	**67.6%**	**91.2%**

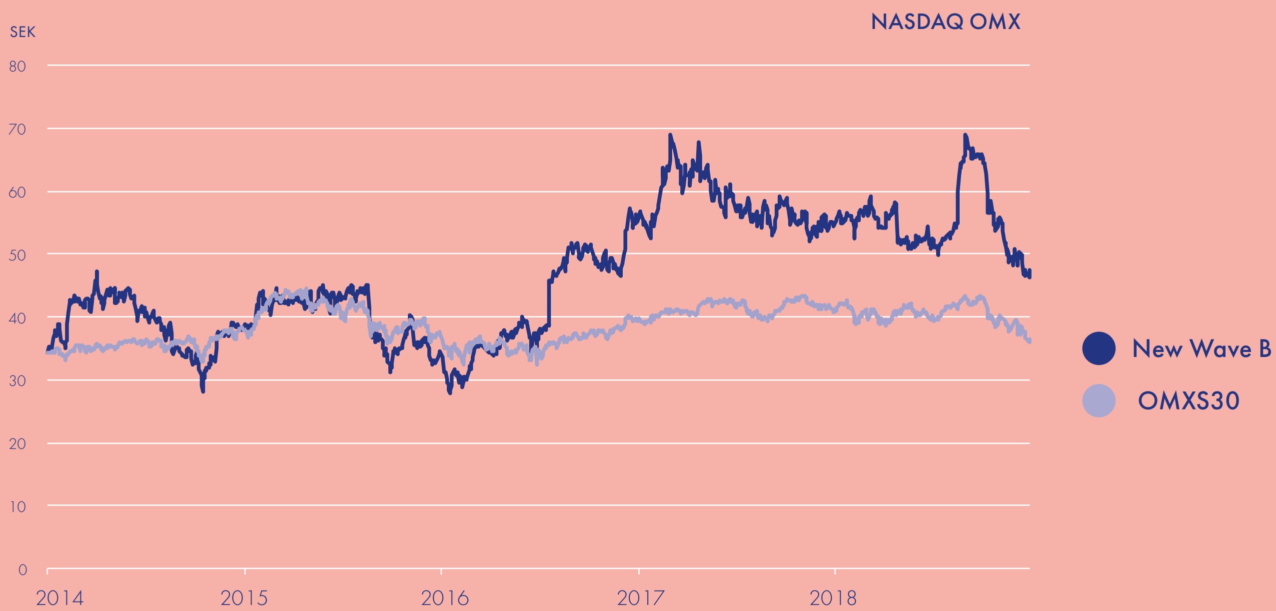
Shareholder distribution in New Wave Group 2018-12-31

	Number of shares	Number of votes	Capital %	Votes %
Sweden	57 190 631	234 559 751	86.2%	96.2%
Shareholders outside Sweden, excluding USA	3 960 360	3 960 360	6.0%	1.6%
USA	5 192 552	5 192 552	7.8%	2.1%
Total	**66 343 543**	**243 712 663**	**100.0%**	**100.0%**

New Wave Group's shareholder structure 2018-12-31

In size order	Number of shareholders	Number of shares	Share %	Market value SEK thousands
1 - 200	8 146	536 163	0.8%	25 414
201 - 1 000	3 677	2 103 005	3.2%	99 682
1 001 - 2 000	899	1 446 331	2.2%	68 556
2 001 - 10 000	804	3 552 810	5.4%	168 403
10 001 -	254	58 705 234	88.5%	1 848 484
Total	**13 780**	**66 343 543**	**100.0%**	**2 210 539**

Share development in reference to index



Share capital development

Year	Transaction	Increase number of shares	Issue price	Increase share capital	Total number of shares	Total share capital, SEK	Quota value
1991	The company was founded	500	100.00		500	50 000	100.00
1995	Directed new issue 1:20[1]	25	35 524.00	2 500	525	52 500	100.00
1996	Bonus issue 37:1	194 750		1 947 500	200 000	2 000 000	
1997	Directed new issue 1:17[2]	11 448	600.00	114 480	211 448	2 114 480	10.00
	Bonus issue	0		2 114 480	211 448	4 228 960	
	Split 10:1	1 903 032			2 114 480	4 228 960	
	Directed new issue[3]	681 818	110.00	1 363 636	2 796 298	5 592 596	2.00
1998	Directed new issue[4]	201 106	114.40	402 212	2 997 404	5 994 808	2.00
2000	Directed new issue[4]	552 648	171.45	1 105 296	3 550 052	7 100 104	2.00
	Split 2:1	3 550 052			7 100 104	7 100 104	
2001	Directed new issue[4]	150 000	160.00	150 000	7 250 104	7 250 104	1.00
2002	Split 2:1	7 250 104			14 500 208	7 250 104	
2004	Bonus issue			166 752 392	14 500 208	174 002 496	12.00
	Directed new issue[4]	1 160 016	130.00	13 920 192	15 660 224	187 922 688	12.00
	Split 2:1	15 660 224			31 320 448	187 922 688	6.00
	Directed new issue[4]	226 886	88.15	1 361 316	31 547 334	189 284 004	6.00
2005	Directed new issue[4]	96 822	125.00	580 932	31 644 156	189 864 936	6.00
	Directed new issue[14]	614 732	52.00	3 688 392	32 258 888	193 553 328	6.00
	Split 2:1	32 258 888			64 517 776	193 553 328	3.00
2006	Directed new issue[11]	1 825 767	29.30	5 477 301	66 343 543	199 030 629	3.00

[1] New issue addressed to the owners of Licensprint i Orsa AB connected to the purchase of the company. The share premium reserve increased by SEK 886,000.

[2] New issue addressed to Group personnel. Subscription price SEK 600 per share. The share premium reserve increased by SEK 6,754,000.

[3] New issue connected to introduction on the Swedish Stock Exchange. Subscription price SEK 110 per share. The share premium reserve increased by SEK 69,089,000.

[4] Non-cash issue connected to the purchase of the Hefa Group. Price of issue SEK 114.40 per share. The share premium reserve increased by SEK 22,604,000.

[5] New issue addressed to the owners of Texet AB connected to the purchase of the company. The share premium reserve increased by SEK 94,242,000

[6] New issue addressed to the owners of Segerkoncernen AB connected to the purchase of the company. The share premium reserve increased by SEK 23,850,000.

[7][4] New issue addressed to the owners of New Wave Group. The share premium reserve increased by SEK 135,794,410.

[8] New issue addressed to the owners of Jobman AB connected to the purchase of the company. The share premium reserve increased by SEK 16,638,684.

[9] New issue addressed to the owners of the Dahetra Group connected to the purchase of the Group. The share premium reserve increased by SEK 11,521,818.

[10] New issue connected to exercise of option rights. The share premium reserve increased by SEK 28,221,388.

[11] New issue connected to exercise of option rights. The share premium reserve increased by SEK 48,017,672.

Board of Directors

Olof Persson

Chairman of the Board since 2016.

Born 1964

*Former CEO and Group CEO of AB Volvo (***2011-2015***), CEO of Volvo Construction Equipment (***2008-2011***) and CEO of Volvo Aero (***2006-2008***).*

Active as Senior Operating Executive at Cerberus Operations and Advisory Company UK Ltd.

Other directorships:
Chairman of Staples Solutions B.V. member of the Board of The Swedish Exhibition & Congress Center Group.

Holdings in the company, own and related parties:
35,000 *class B shares.*

Torsten Jansson

Member of the Board since 1991. CEO and Group CEO.

Born 1962

Founder and majority shareholder in New Wave Group AB.

Other directorships:
Chairman of the Board of Porthouse Interior AB.

Holdings in the company, own and related parties:
19,707,680 *class A shares and* **2,842,201** *class B shares.*

M. Johan Widerberg

Member of the Board since 2014.

Born 1949

Has previously held a number of positions within major European bank.

Other directorships:
Member of the Board of Thomas Concrete Group AB, Handelsbanken, Stena Metall AB, Chalmers University of Technology, Gothenburg Research Institute and SSRS Sjöräddningssällskapet as well as nonprofit / humanitarian missions.

Holdings in the company, own and related parties:
10,000 *class B shares.*

Christina Bellander

Member of the Board since 2009.

Born 1962

Other directorships:
Chairman of the Board Dalarna University and Slitevind AB, Member of the Board Kunskapsskolan i Sverige AB and Marginalen AB.

Holdings in the company, own and related parties:
2,000 *class B shares.*

Mats Årjes

Member of the Board since 2007.

Born1967

VD SkiStar AB.

Other directorships:
Chairman of the Swedish Olympic committee, Member of the Board of SkiStar AB.

Holdings in the company, own and related parties:
10,000 *class B shares.*

Auditor

Nina Bergman

Authorized Public Accountant, Ernst & Young AB. Auditor of the company since 2018.

Born 1979

Holdings in the company, own and related parties:
Does not hold any securities in the company.

Group Management

2010

Magnus Claesson
Area Manager Asia.

Born 1960

- *Employed since* ***2010****.*
- *Holdings in the company, own and related parties: Does not hold any securities in the company.*

2011

Mark Cao
Chief Buying Officer.

Born 1963

- *Employed since* ***2011****.*
- *Holdings in the company, own and related parties: Does not hold any securities in the company.*

1990

Torsten Jansson
CEO and Group CEO. Founder of and majority shareholder in New Wave Group AB.

Born 1962

- *Holdings in the company, own and related parties:* ***19,707,680*** *class A shares and* ***2,842,201*** *class B shares.*

2000

Göran Härstedt
Deputy CEO and Deputy Group CEO.

Born 1965

- *Various positions in New Wave Group AB since* ***2000****.*
- *Holdings in the company, own and related parties:* ***114,136*** *class B shares.*

2007

Lars Jönsson
CFO

Born 1964

- *Employed since* ***2007****.*
- *Holdings in the company, own and related parties: Does not hold any securities in the company.*

2018

Ulf Kinneson

Segment Manager – Gifts & Home Furnishings.

Born 1959

- *CEO of Orrefors Kosta Boda AB.*
- *Employed since **2018**.*
- *Holdings in the company, own and related parties: **6,600** class B shares.*

1993

Tomas Jansson

Segment Manager – Corporate.

Born 1965

- *CEO of New Wave Mode AB and CEO Dahlin & Johansson Frantextil AB.*
- *Employed since **1993**.*
- *Holdings in the company, own and related parties: **20,000** class B shares.*

1999

Jens Petersson

Segment Manager – Sports & Leisure.

Born 1963

- *Employed since **1999**.*
- *Holdings in the company, own and related parties: **345,940** class B shares.*

2007

Ernest Johnson

Area Manager North America.

Born 1951

- *CEO of New Wave Group USA Inc.*
- *Employed since **2007**.*
- *Holdings in the company, own and related parties: Does not hold any securities in the company.*

Cutter & Buck
Through digital and outdoor advertising takeovers of Boston and New York area airports, we shared Cutter & Buck brand image with millions of consumers and B2B buyers.

2018

Financial information

Financial information

Board of Directors' report

The Board of Directors and CEO of New Wave Group AB (publ), 556350-0916, based in Gothenburg, hereby submit the financial statements and consolidated financial statements for the financial year 1 January 2018 to 31 December 2018.

16%

*Increase in net sales Corporate**

11%

Increase in net sales Sports & Leisure

2%

Increase in net sales Gifts & Home Furnishings

New Wave Group is a growth company that creates, acquires and develops brands. Our brands are categorized into three operating segments: Corporate*, Sports & Leisure and Gifts & Home Furnishings. The Group will achieve synergies by coordinating the design, purchasing, marketing, warehousing, and distribution of the product range. To ensure good allocation of risks, the Group will offer its products in the promo market and the retail market.

New Wave Group's competitiveness lies primarily in its strong brands, considerable expertise, high level of service, and a well-developed overall concept. Products are primarily manufactured in Asia, and to a lesser extent in Europe. Thanks to its relative size, New Wave Group has good purchasing prices and efficient logistics. The Group's most well-known wholly-owned brands include AHEAD, Auclair, Clique, Cottover, Craft, Cutter & Buck, Grizzly, J. Harvest & Frost, James Harvest Sportswear, Jobman, Kosta Boda, Orrefors, PAX, Projob, Sagaform, Seger and Toppoint.

Summary of 2018

Net sales increased by **12** % (**9** % excluding currency changes) compared to last year. The Group has experienced growth in each quarter and has also increased sales in all regions and in both sales channels.

Segment Corporate* increased by **16** %, which is a result of our efforts regarding good delivery service and expanded marketing activities. Besides a well-balanced stock, we have invested in larger warehouses, as well as better IT systems to improve our level of service. In addition, we have launched a number of new products, among others within work wear, which strengthens our overall product portfolio in the segment.

Within Sports & Leisure a number of investments in Craft have started to take effect. Craft's Teamwear development continues and has during the year been named best supplier within the category "Team Sports" by the German magazine SAZ Sport. Besides all the smaller clubs and associations that make up our base, there are even a number of major European football clubs such as Dresden, Darmstadt, Zwolle and Gent who have chosen to play in Craft's products. In Sweden we have signed an agreement with Hammarby football. Craft has also signed a three year agreement with Spartan USA. Spartan stages **287** obstacle course races per year in **32** countries, of which about **150** are in the United States. The agreement covers both clothes and shoes and has an estimated sales value of USD **30** million during the three-year agreement term. The agreement may be regarded as a breakthrough for the brand in the United States. Within Cutter & Buck we will continue expanding our sales organization in the United States, but also strengthen our operations in Canada and Europe. The segment has increased its marketing activities during the year and all in all, the efforts produced results. Sales for the segment have increased by **11** % for the whole year, however, growth was **20** % in the second half.

Gifts & Home Furnishings had a growth of **2** %, despite the fact that the hot weather did not favour the all-important summer months of activities at Kosta. The segment has made a number of start-ups and has expanded marketing efforts which have burdened this year's result.

The promo sales channel increased its net sales by **16** % and the retail sales channel by **8** %. The sales and marketing efforts made during the year have been geared toward both sales channels.

** The segment Corporate Promo has been renamed to Corporate.*

All segments have improved their gross profit margins and for the Group as a whole this amounted to **46.6** (**46.1**) %.

The Group has continued its high level of marketing activities and new employments within sales, warehousing and customer service. Gifts & Home Furnishings has made start-ups in Kosta. Besides the above-mentioned activities, even volume related costs have contributed to the total cost increase compared to last year.

Net financial items improved due to a new funding agreement which contributed to lower interest rates. The tax expense for the year has increased compared to last year. Last year included a positive change in deferred tax liabilities, which is related to a lower corporate tax rate in the United States. The periods result amounted to SEK **360.0** (**354.0**) million.

Cash flow from operating activities amounted to SEK **222.6** (**207.8**) million. This is partly due to a higher operating result but also a higher influx of goods resulting in an increased debt to suppliers. Stocks have risen due to continued stock build-up in Canada as well as new product lines, primarily within Craft and workwear and amounted to SEK **3,230.9** (**2,643.4**) million. Cash flow from investing activities amounted to SEK **-163.2** (**-110.6**) million, which is mainly related to our investments in distribution centers and IT.

As a result of our stock increase, equity ratio decreased slightly to **48.6** (**50.9**) %. Net debt increased by SEK **193.7** million and amounted to SEK **1,831.0** (**1,637.3**) million. Net debt to equity ratio and net debt in relation to working capital decreased and amounted to **53.3** (**54.1**) % and **57.0** (**57.4**) % respectively.

Net sales

Net sales amounted to SEK **6,290.6** million, which was **12** % higher than last year (SEK **5,597.3** million). Exchange rates have affected the turnover positively by SEK **185.4** million which corresponds to **3** %. Of the Group's sales channels, promo increased by **16** % and retail by **8** %.

The Group had turnover growth in all regions. Of our sales channels, promo had growth in all regions, while retail increased in five out of six regions (only retail in Southern Europe decreased slightly). Turnover in Sweden increased by **5** %, the United States increased by **11** %, other Nordic Countries increased by **11** %. Turnover in Central and Southern Europe increased by **11** % (**5** % in local currency) and **14** % (**8** % in local currency) respectively, as well as Other countries which increased by **46** %. The improvement in Other countries is related to Asia and Canada.

Net sales

SEK million	2018	Share of net sales	2017	Share of net sales	Change	Percentage change
USA	1 579.7	25%	1 423.7	25%	156.0	11%
Sweden	1 529.9	24%	1 463.8	26%	66.1	5%
Central Europe	986.4	16%	891.1	16%	95.3	11%
Nordic countries excl. Sweden	807.1	13%	727.7	13%	79.4	11%
Southern Europe	716.5	11%	630.8	11%	85.7	14%
Other countries	670.9	11%	460.2	8%	210.7	46%
Total	**6 290.6**	**100%**	**5 597.3**	**100%**	**693.3**	**12%**

Five Year Summary

SEK million	2018	2017	2016	2015	2014
Net sales	6 290.6	5 597.3	5 237.1	4 964.7	4 273.6
Goods for resale	- 3 359.4	-3 018.1	-2 826.9	-2 726.1	-2 321.0
Gross profit	**2 931.2**	**2 579.2**	**2 410.2**	**2 238.6**	**1 952.6**
Other operating income	74.8	51.2	51.0	47.2	27.7
External costs	-1 336.4	-1 128.9	-1 098.0	-1 086.0	-923.5
Personnel costs	-1 063.0	-940.3	-881.6	-851.6	-735.7
Depreciations and write-downs	-77.9	-65.3	-55.9	-57.1	-54.2
Other operating costs	-44.8	-25.2	-25.7	-36.2	-16.5
Share of associated companies' result	-1.1	-1.6	0.2	0.3	-0.4
Operating result	**482.8**	**469.1**	**400.2**	**255.2**	**250.0**
Net financial items	-40.9	-51.9	-59.9	-74.3	-42.0
Result before tax	**441.8**	**417.2**	**340.3**	**180.9**	**208.0**
Tax expense	-81.8	-63.2	-63.6	-35.6	-31.1
Result for the year	**360.0**	**354.0**	**276.7**	**145.3**	**176.9**
Gross profit margin, %	46.6	46.1	46.0	45.1	45.7
Operating margin, %	7.7	8.4	7.6	5.1	5.9
Equity ratio, %	48.6	50.9	48.4	45.9	45.9
Net debt to equity ratio, %	53.3	54.1	62.1	76.8	76.0
Net debt in relation to working capital, %	57.0	57.4	64.7	71.7	71.1
Average number of employees	2 605	2 495	2 396	2 358	2 212
Total assets, SEK million	7 061.4	5 953.1	5 824.2	5 478.7	5 236.6

Gross profit

The gross profit margin improved compared with last year and amounted to **46.6** (**46.1**) %. Improvement occurred in all segments. The Group has a well-balanced stock and a good level of service.

Other operating income and Other operating expenses

Other operating income increased by SEK **23.6** million to SEK **74.8** (**51.2**) million. Other operating income is mainly attributable to operating currency gains but also other remunerations and should be compared to the result row Other operating expenses where mainly operating currency losses are reported. Other operating expenses increased by SEK **19.6** million and amounted to SEK **-44.8** (**-25.2**) million. The net total of above items amounted to SEK **30.0** (**26.0**) million.

Costs and depreciations

External costs have increased by SEK **207.5** million and amounted to SEK **-1,336.4** (**-1,128.9**) million. The increase is primarily attributable to increased marketing activities and improvement measures in our distribution centers but also volume-related costs have contributed to the increase. Personnel costs amounted to SEK **-1,063.0** million which is SEK **122.7** million higher than last year (SEK **-940.3** million). The increase is related to the increased number of employees, mostly in sales, warehousing and customer service. Currency changes increased the costs by SEK **61.6** million.

Depreciations and write-downs were higher compared to last year and amounted to SEK **-77.9** (**-65.3**) million. The increase is primarily related to investments in new and existing buildings as well as IT investments.

Operating margin

The operating margin amounted to **7.7** (**8.4**) % where the slightly lower margin is attributable to the cost increases associated with increased activities in sales and marketing as well as improvements in our distribution centers.

Net financial items and taxes

Net financial items improved by SEK **11.0** million compared to last year and amounted to SEK **-40.9** (**-51.9**) million. The improvement is related to lower interest costs. Income tax expense amounted to SEK **-81.8** (**-63.2**) million and the tax rate amounted to **18.5** (**15.2**) %. The lower tax rate last year is primarily due to a change in deferred tax liabilities, which was related to a change in the corporate tax rate in the United States.

Result for the year

Result for the year amounted to SEK **360.0** (**354.0**) million and earnings per share amounted to SEK **5.48** (**5.34**).

Reporting of operating segments

New Wave Group AB divides its operations into segments Corporate, Sports & Leisure and Gifts & Home Furnishings. The Group monitors the segments' and brands' sales as well as EBITDA. The operating segments are based on the Group's operational management.

Corporate

Net sales for the year increased by **16** % and amounted to SEK **3,069.0** (**2,648.7**) million. EBITDA increased by SEK **63.4** million and amounted to SEK **353.1** (**289.7**) million. The improved turnover is due to increased sales and marketing activities, as well as improved inventory structure and level of service. It is the promo sales channel that increased and the improvement occurs in all regions. The improved result is mainly related to the increase in turnover.

Sports & Leisure

Net sales amounted to SEK **2,573.7** (**2,311.5**) million, which gives an increase of **11** %. EBITDA decreased by SEK **12.1** million and amounted to SEK **218.2** (**230.3**) million. Sales increased in both sales channels. The segment had growth in most regions and an improved gross profit margin. The lower result is primarily related to higher costs due to new employments and marketing.

Gifts & Home Furnishings

Net sales for the full year amounted to SEK **647.8** (**637.1**) million, which gave an increase of **2** %. Sales increased in both sales channels. EBITDA amounted to SEK **-10.6** million which was SEK **25.0** million less than last year (SEK **14.4** million). The lower result is mainly related to more market activities and that the segment made a number of new establishments in Kosta and thus higher costs.

Net sales and EBITDA per operating segment

SEK million		
Corporate	**2018**	**2017**
Net sales	3 069.0	2 648.7
EBITDA	353.1	289.7
Sports & Leisure		
Net sales	2 573.7	2 311.5
EBITDA	218.2	230.3
Gifts & Home Furnishings		
Net sales	647.8	637.1
EBITDA	-10.6	14.4
Total Net sales	**6 290.6**	**5 597.3**
Total EBITDA	**560.7**	**534.4**

Capital tied up

Capital tied up in stock amounted to SEK **3,230.9** million and increased by SEK **587.5** million, compared with last year (SEK **2,643.4** million). The increase is related to the Group's continued build-up of stock in North America as well as new product lines. In addition, the currency exchange effects increased the value by SEK **93.5** million. The Group has a well-balanced stock and the level of service is good. The stock value is expected to be at a higher level even during the coming quarter due to our extended promo range. Stock turnover is on par with last year and amounted to **1.1** (**1.2**) times.

SEK million	2018-12-31	2017-12-31
Raw materials	40.3	34.9
Work in progress	14.0	8.7
Goods in transit	222.6	144.0
Goods for resale in stock	2 954.0	2 455.8
Total	**3 230.9**	**2 643.4**

Inventories were written down by SEK **121.5** (**106.0**) million. Write-down related to goods for resale in stock amounted to **4.0** (**4.1**) %.

Accounts receivable amounted to SEK **1,084.1** (**982.8**) million and the increase is turnover related.

Investments, financing and liquidity

The cash flow from operating activities improved somewhat and amounted to SEK **222.6** (**207.8**) million. This is partly due to a higher operating result but also a higher influx of goods resulting in an increased debt to suppliers. Cash flow from investing activities amounted to SEK **-163.2** million, which is SEK **52.6** million higher than last year (SEK **-110.6** million). The increase is mainly due to investments in distribution centers and IT.

Net debt increased by SEK **193.7** million and amounted to SEK **1,831.0** (**1,637.3**) million. However, the decline in the net debt to equity ratio and net debt in relation to working capital amounted to **53.3** (**54.1**) % and **57.0** (**57.4**) % respectively.

The equity ratio decreased somewhat compared to last year and amounted to **48.6** (**50.9**) %.

The Group signed a new funding agreement as of **11** April **2018**. The total credit facility under this agreement amounted to SEK **2,765** million as of **31** December, of which SEK **2,000** million runs until and including March **2022** and USD **30** million has a maturity which runs until and including January **2024**. The other SEK **500** million has a term of between three months and six years. The credit facility amount is limited to and dependent on the value of some underlying assets. The funding agreement means that financial ratios (covenants) must be fulfilled in order to maintain the credit facility.

Based on the present forecast, management estimates that the group will be able to meet these ratios with a satisfactory margin.

Intangible assets

The Group's intangible fixed assets consist mainly of goodwill and trademarks. The trademarks with greater value recorded at cost are well-known trademarks such as Orrefors and Kosta Boda within Gifts & Home Furnishings as well as mainly Cutter & Buck within Sports & Leisure. The Group’s book values are tested annually to assess whether any need for impairment exists.

The assets' value is determined by discounting cash flow forecasts for the next five years, including a terminal growth period, using a weighted average cost of capital (WACC). The most important assumptions in determining the value in use include growth rate, operating margin and WACC.

Based on the tests and analyses carried out, there is, in the current situation, no need for impairment. Nor were there any impairment requirements for the comparison year. For more information about the Group's intangible fixed assets and impairment testing, see note **8**.

Personnel, organisation and remuneration

The number of employees as of **31** December **2018** amounted to **2,605** (**2,495**) of whom **52** % were female and **48** % were men. Of the total number of employees **603** (**631**) work in production. The production contained within New Wave group is attributable to AHEAD (embroidery), Cutter & Buck (embroidery), Dahetra, Orrefors Kosta Boda, Paris Glove, Seger, Termo and Toppoint.

There is no specifically appointed remuneration committee for the management of salary levels, pension benefits, incentive matters, and other terms of employment for the CEO as these issues are addressed by the Board as a whole. The terms of employment for other members of Group Management are decided on by the CEO and Chairman of the Board.

Shown below are New Wave Group's guidelines for compensation to senior executives. The guidelines have been applied during 2018 and up to the annual general meeting 2019, and is even proposed at the annual general meeting May 17, 2019:

- *Remuneration to the Group CEO and other members of Group management comprises fixed salaries at competitive market rates.*
- *Variable remunerations such as bonuses may be paid when this is justified in order to be able to recruit and maintain key staff so as to stimulate improvements in sales and profits as well as the work involved in achieving specific key figures set by the Board. Variable remunerations shall be based on predetermined, measureable criteria such as performance of New Wave Group or return on equity compared to fixed targets. The variable remuneration shall not exceed* ***50*** *% of the fixed remuneration. Total yearly cost for the performance based remuneration cannot exceed SEK* ***10*** *million.*
- *The Board shall in respect of each financial year consider whether a share or share price related incentive program which covers the year in question shall be proposed to the AGM or not. The AGM makes the final decision regarding such incentive programs.*
- *There shall be no special fee for Board work in Group companies for senior executives.*
- *Pension benefits shall be equivalent to an ITP plan or, for senior executives outside Sweden, pension benefits which are standard in the relevant country.*
- *A mutual notice period of no more than six months and no severance pay shall apply for all senior executives.*

The Board may deviate from the proposed guidelines above in individual cases if there are specific reasons to do so.

No deviations have been made from the guidelines during the current year.

Related party transactions

There are lease agreements with related companies. Related companies to the CEO have purchased merchandise and received payments for consulting services performed. In addition, there are transactions with related parties to immaterial values. All transactions are on market terms. For further description see Note **18**.

Risks and risk management

New Wave Group's international operations mean that it is continuously exposed to various financial risks. The financial risks are interest rate risks, currency and liquidity and credit risks. In order to minimize the effect these risks may have on earnings, the Group has a financial policy.

The Group's policy is to have short fixed-rate interest periods, which means that fluctuating short-term interest rates have a rapid impact on the Group's net interest income.

A significant portion of New Wave Group's sales are made in foreign currency (**76** %). The Group is exposed to changes in exchange rates in the future flows of payments related to firm commitments and to loans and investments in foreign currencies, i.e. transaction exposure. The Group's accounts are also affected by translating the results and net assets of foreign subsidiaries into SEK, i.e. translation exposure.

Due to the relatively capital-intensive nature of its activities and its expansive growth strategy, New Wave Group has a need to secure its funding. For a growth Group like New Wave Group it is essential to ensure that sufficient liquidity is available to fund future expansion and that there is a high degree of flexibility when acquisition opportunities occur. It is also important that a sound balance between equity and financing through debt is kept, as New Wave Group's goal is to achieve an equity ratio in excess of **30** %.

The Group is exposed to credit risk from its operating activities, primarily accounts receivable, and from its financing activities which include deposits at banks and financial institutions, currency futures and other financial instruments. The Group's total exposure to credit risk amounted, at year-end, to SEK **1,485.2** (**1,257.3**) million.

For a more extensive description of the Group's risk exposures and risk management see note **17**.

Environment

New Wave Group has a responsibility to ensure that our business operations, and the business operations of our suppliers, respect the legal provisions of different countries, as well as basic human rights and working conditions. New Wave Group works systematically with regard to supplier auditing, monitoring, and dialogue in order to ensure that our business operations are conducted in the most responsible manner possible with regard to people and environment.

New Wave Group understands how our business operations are so closely related to local and global environmental issues. As the Group grows in size, and as more customers buy our products, our environmental impact will increase. For this reason, New Wave Group is striving to develop environmentally sustainable solutions with regard to transport, packaging, and manufacturing.

New Wave Group aims to be the industry leader in CSR (Corporate Social Responsibility) and sustainability.

The Group's subsidiary Orrefors Kosta Boda AB conducts licensed operations under the Environmental code.

For additional information see our Sustainability report and our section CSR and the sustainability on pages **36-37**.

The Parent company

Total income amounted to SEK **145.6** (**92.2**) million. Result before appropriations and taxes amounted to SEK **151.1** (**298.9**) million. The lower result is related to lower dividends from Group companies. Net debt amounted to SEK **1,725.3** (**1,566.5**) million. The Parent company's net financing to Group companies amounted to SEK **1,665.6** (**2,040.3**) million. Cash flow from investing activities amounted to SEK **-86.6** (**-63.5**) million. The balance sheet total amounted to SEK **4,368.1** (**3,813.5**) million and shareholders' equity, including **78** % of untaxed reserves, to SEK **1,961.7** (**1,863.6**) million.

New Wave's share

The number of shares in New Wave Group AB amounts to **66,343,543** with a quota value of SEK **3.00**. The shares have equal rights to the Company's assets and profits. Each Series A share carries ten votes and each Series B share carries one vote. The offer of first refusal is in place for Series A shareholders in accordance with paragraph **14** of the articles of association.

Through companies, Torsten Jansson owns **34.0** (**32.6**) % of the capital and **82.0** (**81.7**)% of the votes.

The following authorization has been given to the Board until the next AGM:

- *to, on one or several occasions, decide on the new issue of a maximum of **4 000 000** Series B shares. The authorization includes the right to decide to deviate from the shareholders' preferential rights, unless the decision refers to a new issue in which consideration is comprised only of cash. Through decisions supported by the authorization, share capital will be allowed to increase by a total maximum of SEK **12 000 000**.The authorization will also include the right to decide on new issues with a dominance in kind, or that shares shall be subscribed with a right of set-off or otherwise with conditions as stated in chapter **13**, section **5**, point **6** of the Companies Act. The reason for the deviation from the shareholders' preferential rights is that the new issue of shares shall be used for the acquisition of companies and for financing continued expansion. The basis of the issue price will be the share's market value at the time of issue.*

- *to, on one or more occasions, decide to raise financing of a kind that is covered by the provisions in chapter **11**, section **11** of the Companies Act. Such financing will take place on market terms. The reason for this authorization is that the Company should have the opportunity to raise financing on attractive terms for the Company in which the interest rate may depend on the Company's result or financial position, for example.*

For additional information about the share, see pages **48–51**.

Growth target and dividend policy

The growth target over one business cycle is **10-20** % per year, of which **5-10** % should be organic growth and **15** % operating margin. The dividend policy is that the dividend will account for **40** % of the Group's result after taxes over a business cycle.

In general

A report on the Group's governance and the work of the Board is presented in the section on Corporate Governance.

Proposed distribution of profit

The following is at the disposal of the annual general meeting:

SEK	
Retained earnings	1 234 511 124
Share premium reserve	48 017 672
Result for the year	193 302 832
Total	**1 475 831 628**

The Board proposes a dividend of SEK **2.00** (**1.70**) per share, corresponding to SEK **132,687,086** (**112,784,023**), and that SEK **1,343,144,542** is carried forward.

The Board of Directors' statement regarding distribution of profit

Justification

Consolidated equity has been calculated according to the IFRS standards as adopted by the EU, and in accordance with Swedish law through the application of the Swedish Financial Reporting Board's recommendation, RFR **1** Supplementary Accounting Rules for Corporate Groups. The Parent Company's equity has been calculated according to Swedish law and through the application of the Swedish Financial Reporting Board's recommendation, RFR **2** Accounting for Legal Entities.

The proposed distribution of profit corresponds to **37** % of the Group's result for the year, which is in line with the stated objective that dividend should equate to **40** % of the Group's profits for the year over one business cycle. Investment plans, consolidation requirements, liquidity and overall position have been taken into account. The Board finds that there is full coverage of the Company's restricted equity following the proposed distribution of profit.

The Board also finds that the proposed dividend to shareholders is justified with regard to the parameters stated in chapter **17**, section **3**, paragraphs **2** and **3** of the Companies Act (the nature, scope, and risks of the business, and consolidation requirements, liquidity, and overall position).

In relation to this, the Board would like to stress the following:

The nature, scope and risks of the business

The Board deems that Company equity and consolidated equity following the proposed distribution of profit will be sufficient in relation to the nature, scope, and risks of the business. In relation to this, the Board takes into account the Company's and the Group's historical and budgeted development, investment plans, and the economic situation.

Consolidation requirements

The Board has undertaken a comprehensive assessment of the Company's financial position and its ability to honour its future commitments. The proposed dividend represents **6.9** % of the Company's equity and **3.9** % of consolidated equity. The objective stated with regard to the Group's capital structure for an equity ratio of at least **30** % is retained following the proposed dividend. The Company's and the Group's equity ratio is good. Against this background, the Board considers that the Company and the Group have the necessary conditions for taking future business risks and to withstand any losses. Planned investments have been taken into account in determining the proposed dividend. The distribution of profit will have no negative effect on the Company's and the Group's ability to make further commercially motivated investments according to the adopted plans.

Liquidity

The proposed distribution of profit will not affect the Company's and the Group's ability to honour its payment obligations on time. The Company and the Group have access to liquid asset reserves in the form of both short and long-term credit. The credit can be obtained at short notice, which means that the Company and the Group are prepared to overcome liquidity variations as well as any unexpected events.

Overall position

The Board has evaluated all other known conditions which may be of significance for the Company's and the Group's financial position and which have not been considered within the framework of that which has been stated above. In relation to this, no circumstance has arisen which makes the proposed dividend seem unjustifiable.

The undersigned certify that the consolidated and annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and generally accepted accounting principles, and provide a true and fair view of the Group's financial position and performance, and that the Group Directors' Report and Board of Directors' Report provide an accurate overview of the development of the Group's and the Company's operations, financial position and performance, and describe the significant risks and safety factors faced by the companies in the Group.

Gothenburg, 5 April 2019

New Wave Group AB (publ)

Olof Persson
Chairman of the Board

Christina Bellander
Member of the Board

M. Johan Widerberg
Member of the Board

Mats Årjes
Member of the Board

Torsten Jansson
CEO and Group CEO

Our auditor's report has been given on 5 April 2019

Ernst & Young AB

Nina Bergman
Authorised Public Accountant

Consolidated income statement

1 January - 31 December

SEK million	Note	2018	2017
Net sales	3, 18	6 290.6	5 597.3
Goods for resale		-3 359.4	-3 018.1
Gross profit		**2 931.2**	**2 579.2**
Other operating income	4	74.8	51.2
External costs	7, 9, 18	-1 336.4	-1 128.9
Personnel costs	5, 6	-1 063.0	-940.3
Depreciations and write-downs of tangible and intangible fixed assets	8, 9	-77.9	-65.3
Other operating costs		-44.8	-25.2
Share of associated companies' result	13	-1.1	-1.6
Operating result	10	**482.8**	**469.1**
Financial income		5.5	5.1
Financial expenses		-46.4	-57.0
Net financial items	11	**-40.9**	**-51.9**
Result before tax		**441.8**	**417.2**
Tax expense	12	-81.8	-63.2
Result for the year	17	**360.0**	**354.0**
Other comprehensive income:			
Items that can be reclassified into profit or loss			
Translation differences		157.3	-54.2
Cash flow hedges		0.5	2.2
Sum		**157.8**	**-52.0**
Income tax related to components of other comprehensive income		-0.1	-0.5
Total other comprehensive for the year		**157.7**	**-52.5**
Total comprehensive income for the year		**517.6**	**301.5**
Result for the year attributable to:			
Shareholders of the parent company		363.4	354.0
Non-controlling interest		-3.4	0.0
		360.0	**354.0**
Total comprehensive income attributable to:			
Shareholders of the parent company		520.2	301.9
Non-controlling interest		-2.6	-0.4
		517.6	**301.5**
Earnings per share (SEK)*		5.48	5.34
The average number of outstanding shares *		66 343 543	66 343 543

* Earnings per share and the average number of outstanding shares are the same before and after dilution.

Consolidated cash flow statement

1 January - 31 December

SEK million	Note	2018	2017
Operating activities			
Operating result		482.8	469.1
Adjustment for items not included in cash flow	28	74.4	76.4
Received interest		2.2	3.7
Paid interest		-43.2	-55.5
Paid income tax		-86.5	-42.7
Cash flow from operating activities before changes in working capital		**429.7**	**451.0**
Changes in working capital			
Increase/decrease of stock		-494.0	-208.5
Increase/decrease of current receivables		-27.5	-119.7
Increase/decrease of current liabilities		314.4	85.0
Cash flow from changes in working capital		**-207.1**	**-243.2**
Cash flow from operating activities		**222.6**	**207.8**
Investing activities			
Investments in tangible fixed assets		-147.1	-86.9
Sales of tangible fixed assets		4.3	5.5
Investments in intangible fixed assets		-15.4	-29.4
Investments in associated companies		-2.0	0.0
Raised long-term receivables		-2.9	0.0
Repayment of long-term receivables		0.0	0.2
Cash flow from investing activities		**-163.2**	**-110.6**
Cash flow after investing activities		**59.4**	**97.2**
Financial activities			
Loan raised		152.1	0.0
Amortization of loan		0.0	-16.7
Dividend paid to the shareholders of the parent company		-112.8	-89.6
Cash flow from financial activities		**39.3**	**-106.3**
Cash flow for the period		**98.7**	**-9.1**
Liquid assets at the beginning of the period		202.4	218.9
Translation differences in liquid assets		11.1	-7.5
Liquid assets at the end of the period		**312.2**	**202.4**
Liquid assets			
Cash at bank and in hand		312.2	202.4

Consolidated balance sheet

As of 31 December

SEK million	Note	2018	2017
ASSETS			
Intangible fixed assets	8	1 469.4	1 393.9
Tangible fixed assets	9	587.4	415.5
Shares in associated companies	13	39.3	53.3
Other long-term receivables	14	13.5	10.2
Deferred tax assets	15	111.1	91.5
Total non-current assets		**2 220.6**	**1 964.5**
Stock	16	3 230.9	2 643.4
Current tax receivables		38.1	21.2
Accounts receivable	17, 18	1 084.1	982.8
Other receivables	17	90.3	62.3
Prepaid expenses and accrued income	17, 19	85.2	76.5
Liquid assets	20	312.2	202.4
Total current assets		**4 840.8**	**3 988.6**
TOTAL ASSETS		**7 061.4**	**5 953.1**
EQUITY	21, 29		
Share capital		199.1	199.1
Other capital contributions		219.4	219.4
Reserves		434.9	279.4
Retained earnings including result for the year		2 561.6	2 308.7
Equity attributable to shareholders of the parent company		**3 415.0**	**3 006.6**
Non-controlling interest		19.2	22.6
Total equity		**3 434.2**	**3 029.2**
LIABILITIES			
Long-term interest-bearing liabilities	17, 20, 22, 23	1 795.5	1 757.5
Pension provisions		18.3	16.5
Other provisions	24	3.1	2.0
Deferred tax liabilities	15	144.6	129.9
Total non-current liabilities		**1 961.6**	**1 905.9**
Short-term interest-bearing liabilities	17, 20, 22, 23	347.7	82.2
Accounts payable	17, 18	752.2	536.7
Current tax liabilities		78.0	53.3
Other liabilities	17, 25	172.3	108.7
Accrued expenses and prepaid income	17, 26	315.4	237.1
Total current liabilities		**1 665.6**	**1 018.0**
Total liabilities		**3 627.2**	**2 923.9**
TOTAL EQUITY AND LIABILITIES		**7 061.4**	**5 953.1**

Consolidated statement of changes in equity

1 January - 31 December

SEK million	Share capital	Other capital contributions	Reserves	Retained earnings incl. result for the year	Total	Non-controlling interest	Total equity
Opening balance 2017-01-01	**199.1**	**219.4**	**337.4**	**2 038.7**	**2 794.6**	**22.6**	**2 817.2**
Result for the year				354.0	354.0	0.0	354.0
Other comprehensive income							
Translation differences			-54.2		-54.2		-54.2
Cash flow hedges			2.2		2.2		2.2
Reclassification of previous years' cash flow hedges			-5.5	5.5	0.0		0.0
Income tax related to components of other comprehensive income			-0.5		-0.5		-0.5
Transactions with shareholders							
Dividends to shareholders of the Parent company				-89.6	-89.6		-89.6
Closing balance 2017-12-31	**199.1**	**219.4**	**279.4**	**2 308.7**	**3 006.6**	**22.6**	**3 029.2**

SEK million	Share capital	Other capital contributions	Reserves	Retained earnings incl. result for the year	Total	Non-controlling interest	Total equity
Opening balance 2018-01-01	**199.1**	**219.4**	**279.4**	**2 308.7**	**3 006.6**	**22.6**	**3 029.2**
Result for the year				363.4	363.4	-3.4	360.0
Other comprehensive income							
Translation differences			157.3		157.3		157.3
Cash flow hedges			0.5		0.5		0.5
Reclassification of previous years' cash flow hedges			-2.2	2.2	0.0		0.0
Income tax related to components of other comprehensive income			-0.1		-0.1		-0.1
Transactions with shareholders							
Dividends to shareholders of the Parent company				-112.8	-112.8		-112.8
Closing balance 2018-12-31	**199.1**	**219.4**	**434.9**	**2 561.6**	**3 415.0**	**19.2**	**3 434.2**

Accumulated translation differences in equity	Year 2018	Year 2017
Accumulated translation differences at the beginning of the year	284.3	338.5
Translation difference in foreign subsidiaries for the year	157.3	-54.2
Accumulated translation differences at end of year	**441.6**	**284.3**

Note 1 - Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. Recommendation RFR 1 Supplementary Accounting Rules for Corporate Groups of the Swedish Financial Reporting Board has also been applied, which means that certain additional disclosures are provided in the consolidated financial statements. The accounting policies presented in the following description have been applied consistently in the entire Group for all periods presented in the consolidated financial statements. The financial statements are prepared in Swedish kronor, which is the reporting currency of New Wave Group.

Preparing financial statements in accordance with IFRS requires that management make certain assessments, estimates and assumptions. Critical estimates and assessments are in all essential based on historical experience and expected future events. Estimates, assessments and assumptions are reviewed on a regular basis. Changes are reported in the period in which the change is implemented and in future periods if these are affected. Information on areas where applied estimates and assessments contain an element of uncertainty is provided in Note 2.

Fixed assets, non-current liabilities and provisions consist essentially of amounts that are expected to be recovered or paid later than twelve months from the balance sheet date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or paid within twelve months of the balance sheet date.

New and amended accounting policies

New accounting policies for 2018

As from January 1, 2018 New Wave Group applies IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers.

At transition to IFRS 9, no restatement of prior periods has been made. The transition to IFRS 9 Financial Instruments has not resulted in any material differences in the Group's valuation of financial assets and liabilities, nor in the hedge accounting. However, under IFRS 9, credit losses are reported earlier than under the Group's previous model. New Wave Group applies the simplified model of expected credit losses for accounts receivable under which total expected credit losses for the remaining maturity of the receivable are reported. When assessing future expected credit losses, historical and forward-looking information is taken into account.

IFRS 15 Revenue from contracts with customers has been implemented with limited retroactivity, meaning that comparative figures have not been restated and no transitional effect has been recorded in equity. The majority of New Wave Group's revenue comes from sales of goods, which is recognised when the control of the goods is transferred to the customer. Variable compensations such as discounts, bonuses and returns are estimated and constitute a part of the transaction price. Commission, royalties, licenses and membership fees for customer clubs constitute performance obligations that are met over time as the control is transferred to the customer. Complete accounting principles for financial instruments and revenue are presented below in the sections Financial instruments and Revenue.

No other new or revised standards or IFRIC-interpretations published up until 31 December 2018 are assessed to have any impact on the financial reports for the Group or the Parent company.

New accounting policies for 2019 and later

As from 2019, New Wave Group applies IFRS 16 Leases.

As of January 1, 2019, IFRS 16 Leases replaces the previous standard IAS 17 Leases. The standard removes the splitting of leases into either operational or financial leasing for the lessee, as required by IAS 17, and instead introduces a common model for reporting of all leases. IFRS 16 results in virtually all leases being recognized onto the balance sheet. According to the new standard, lessees must report the obligation to pay the leasing fees as a leasing liability in the balance sheet. The right to utilize the underlying asset during the lease term is reported as a right of use asset. Depreciation of the asset is recognized in the income statement, as well as an interest expense on the leasing liability. Leasing fees paid are reported partly as interest payments and partly as amortization of the leasing liability.

The standard excludes leasing agreements with a lease term of less than

12 months (short-term lease agreements) and leasing agreements for assets that have a low value. The Group has chosen to use these practical expedients, and has also chosen to apply the simplification rule for the definition of leasing agreements and include non-leasing components as part of the right of use assets and the leasing liability. With regard to extension options for the Group's leasing agreements, individual assessments have been made for each agreement based on the probability of whether any extension options will be utilized or not.

New Wave Group has chosen to apply the simplified transition method and will not recalculate the comparative figures. The simplification rule, that the right of use asset shall correspond to the leasing liability as per transition date January **1 2019**, has been applied at the transition. As a result thereof, no transition effect is recorded in the equity of the Group.

During the past year, all of the Group's leasing agreements have been reviewed as a result of the new rules in IFRS **16**. The standard will primarily affect the accounting of the Group's operating leases, which for the most part consist of lease agreements for office premises, warehouses and cars. As per transition date January **1 2019**, the Group recognizes a right of use asset and as well as a leasing liability amounting to SEK **641** million, reducing the equity ratio of the Group with four percentage points as of the same date. Accounting pursuant to IFRS **16** will also affect the Group's EBITDA positively going forward, since leasing fees will be recorded as depreciation and interest expenses.

Reconciliation from IAS 17 to IFRS 16

	SEK million
Commitments for operational leasing agreements as per December 31 2018	**764.4**
Addition: adjustments related to options to extend or terminate agreements	61.6
Reduction: short-term lease agreements and leasing agreements for low-value assets which are expensed on a straight-line basis	-13.1
Reduction: adjustments related to price changes attributable to variable fees	-7.1
Reduction: adjustments related to agreements for which the commencement date have not been passed at transition to IFRS 16	-85.3
Discount effect	-79.6
Opening balance for right of use asset and leasing liability as per January 1 2019	**641.0**

Consolidated financial statements and principles of consolidation

The consolidated financial statements comprise the Parent Company New Wave Group AB and all companies in which New Wave Group AB directly or indirectly holds more than **50** percent of the voting rights or otherwise exercises a controlling influence. In assessing whether a controlling influence exists, potential shares entitling the holder to vote that can be used or converted without delay are taken into account.

Pricing between Group companies is set on a commercial basis and thus constitute market prices. Internal profits and losses arising from sales between Group companies have been fully eliminated.

Acquisitions and goodwill

All acquisitions are recorded using the purchase method. The acquisition value is defined as the sum of the fair values of the assets received, liabilities incurred or assumed and equity instruments issued by New Wave Group to acquire the operation.

The acquisition value of shares in Group companies is eliminated against equity in each subsidiary at the time of acquisition. If the transferred consideration for the shares exceeds the fair value of the acquired company's net assets, consolidated goodwill is recognised. Under this method, only the portion of equity in the Group company that has been generated after the acquisition date is included in equity attributable to the shareholders of the Parent company.

If the portion of the fair value of the acquired net assets exceeds the cost of the acquisition, the difference is recognised in the income statement as an acquisition on favourable terms. Transaction costs are recognised in the income statement when incurred. The acquirer can choose to recognise a non-controlling interest either at fair value ("full goodwill") or at its share of the acquired net assets.

In the first alternative the non-controlling interest and goodwill will increase in value by the same amount. Changes in value relating to contracted supplementary considerations are accounted for in the income statement. Under IFRS 3, all changes in the equity stake in a subsidiary, where the controlling influence does not cease, should be accounted for as equity transactions.

Result from operations acquired during the year are recognised in the consolidated income statement from the acquisition date. Any gain or loss from the sale of operations during the year is calculated based on the Group's recognised net assets in such operations, including result up to the date of sale. Intercompany balances and any unrealised income and expenses attributable to intercompany transactions are eliminated.

The non-controlling interest's share of the subsidiaries' net assets is accounted for as a separate item under consolidated equity. In the consolidated income statement the non-controlling interest's share is included in reported result.

Associated companies are those companies which are not subsidiaries but where the Parent company directly or indirectly has a significant influence. Shares in associated companies are accounted for using the equity method. In the consolidated income statement, the Group's share of the associated companies' result is recorded. In the Group's balance sheet the shares in associated companies are recorded at cost and adjusted based on the Group's share of the result after the acquisition date.

Translation of items denominated in foreign currency

Transactions in foreign currencies during the year have been translated at the exchange rate prevailing at the respective transaction date. Assets and liabilities denominated in a foreign currency have been translated at the exchange rates prevailing at the closing day. Exchange gains and losses related to accounts receivable and payables and other operating receivables and payables are included in other operating income and other operating expenses. Exchange gains and losses related to other financial assets and liabilities are included in financial income and financial expenses.

Revenue

Most of New Wave Group's revenue comes from sales of goods, which are definied as separate performance obligations. Sales are mainly to retailers in Corporate and Retail. Normally, contracts or customer orders are used as basis for assessing whether an agreement with the customer exists. Fulfillment of the performance obligations under the agreements are deemed to be achieved when the control of the goods is transferred to the customer. New Wave Group assesses that moment with the help of shipping documents and shipping terms.

Variable compensations such as discounts, bonuses and returns are estimated and form part of the transaction price. Commission, royalties, licenses and membership fees for customer clubs constitute performance obligations that are met over time. Within the Group there are also a few smaller contracts with repurchase commitments where New Wave Group delivers goods to the customer with full repurchase right at the same price as the original sale. Revenue is reported at the end of the repurchase right period.

The Group has a number of sponsorship agreements, which imply an exchange of goods and services between the contractual parties. In case the Group identifies distinct performance obligations, revenue is recognized at the fair value of the transferred products.

Accounting policies for the comparison year

Transactions before January 1 2018 are reported according to previous accounting policies, which are presented in Note 1 in the annual report for 2017.

Intangible fixed assets

An intangible asset is an identifiable, non monetary asset without physical substance. Intangible assets which can be identified and measured separately from goodwill upon acquisition consist, for instance, of customer-, contract- and/or technology-related assets. Typical marketing- and customer-related assets comprise trademarks and customer relations. Contracts and customer relations derive from expected customer loyalty and the cash flows that

are expected to arise during the remaining useful life of each asset. Expenditures related to internally developed intangible assets, excluding goodwill, which emerge during the development phase are capitalized only when in management's judgement it is probable that they will result in future economic benefits for the Group and the expenditures during the development phase can be reliably measured.

The cost of an internally generated asset includes direct manufacturing expenditures and a portion of indirect expenses attributable to the actual asset. Intangible assets are amortized on a straight-line basis over their expected useful lives. Amortization begins when the asset is available for use and is reported on a straight-line basis.

Product development for the Group mainly comprises design and development of new collections as well as development of new product variants within the existing product range. Such development generally does not meet the criteria for recognition in the balance sheet. All other expenditures during the research phase as well as development expenditures not meeting the capitalization criteria are charged to the income statement when incurred.

Intangible assets are recorded at cost and amortised on a straight-line basis over their useful lives. An intangible asset with an indefinite useful life is not amortised but tested for impairment annually or more frequently. New Wave Group recognises goodwill and trademarks, which are both classified as intangible assets with indefinite useful lives. The following useful lives are applied in New Wave Group:

Computer software	15-33 %
Other intangible fixed assets*	5-10 %

* Primarily consist of customer relations

Tangible fixed assets

Tangible fixed assets are valued at cost after adjusting for depreciation and any impairment, and are depreciated on a straight-line basis over their expected useful lives. In determining the depreciable amount for an individual asset account is taken of any residual value of the asset. To the extent that an asset consists of components which differ materially in respect of their useful lives, these are depreciated separately (component depreciation). The acquisition value of a tangible fixed asset that has been manufactured includes direct manufacturing expenses and shares of attributable indirect expenses. Depreciation begins when the asset becomes available for use. Land is not depreciated.

Tangible fixed assets are removed from the balance sheet upon sale or if the asset is not expected to generate any future economic benefits neither by being used nor being sold. Capital gains and losses are calculated as the difference between the consideration received and the asset's carrying amount. The capital gain or loss is recognised in the income statement in the period in which the asset is removed from the balance sheet. The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each financial year and adjusted prospectively, if required.

Expenditures on maintenance and repairs are expensed as incurred, but expenditures on significant improvement works are added to the cost and depreciated over the remaining useful life of the underlying asset. The following useful lives are applied in New Wave Group:

Buildings	2-4 %
Equipment, tools and installations	10-33 %

Impairment

If there are internal or external indications of a decline in the value of an asset, the asset is to be tested for impairment. For assets with indefinite useful lives, goodwill and trademarks, such tests are performed at least once a year, whether there are any indications of impairment or not. An asset or group of assets, known as a cash-generating unit, should be written down if the recoverable amount is lower than the carrying amount. The recoverable amount is the higher of value in use and net realisable value. Impairment losses are recognised in the income statement in the period during which they occur. If an individual asset cannot be tested separately, as it is not possible to identify the fair value less selling expenses for the asset, the asset is allocated to a group of assets, known as a cash-generating unit, for which it is possible to identify separate future cash flows. To the extent that the underlying factors behind an impairment loss change in coming periods, the impairment loss will be reversed. Impairment of goodwill is never reversed. Information on the specific assumptions which need to be made to calculate value in use is provided in Note 8.

Provisions

A provision is recognised when the Group has a legal or constructive obligation arising from previous events and it is probable that an outgoing payment will be required to settle the obligation and the amount can be reliably measured. In cases where the Group expects that an obligation for which a provision has been recognised will be paid by an outside party, for instance under the terms of an insurance contract, a separate asset is recorded, but only when it is practically certain that the payment will be received. If the obligation for which a provision has been made is due to be settled after more than twelve months, the future payment should be discounted to present value using a discount rate which reflects short-term market expectations, taking account of transaction-specific risks.

Financial instruments

A financial asset is recognised when counterparty shall perform and there is a contractual right to receive payment, even if no invoice has been sent. A financial asset is removed from the balance sheet when the rights inherent in the agreement are realised or expire or if the Company loses control over them. The same applies to a portion of a financial asset.

A financial liability is recognised when counterparty has performed and there is a contractual duty to pay, even if no invoice has been received. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or otherwise ceases to apply. The same applies to part of a financial liability.

Financial instruments are initially classified as one of the following:

- *financial instruments valued at amortised cost*
- *financial instruments valued at fair value through profit or loss, or*
- *financial instruments valued at fair value through other comprehensive income*

New Wave Group holds financial assets and liabilities in all three categories.

Financial instruments valued at amortised cost

Financial instruments are initially carried at fair value and thereafter at amortised cost.

The Group's financial assets valued at amortised cost are essentially accounts receivable, other receivables and liquid funds. Accounts receivable are recognised in the balance sheet when an invoice has been sent. The expected maturity of accounts receivable is short, and the value is therefore recognised at the nominal amount without discounting. Liquid funds comprise liquid bank deposits and available cash assets.

Financial assets are valued at each closing day. For financial assets valued at amortised cost, the Group recognizes a reserve related to expected credit losses. The change in expected credit losses is recorded in the income statement under external expenses.

New Wave Group applies the simplified model for expected credit losses on accounts receivable, at which total expected credit losses for the remaining maturity of the receivable are recognised. When assessing future expected credit losses, both historical and forward-looking information is taken into account. Change of provision for expected credit losses on accounts receivable is recognised in the income statement under external expenses. The change of the year is provided in Note **17**.

Financial liabilities are initially carried at fair value less transaction costs. In subsequent periods these liabilities are valued at amortised cost by applying the effective interest method. Interest-bearing liabilities comprise liabilities to credit institutions. Accounts payable are recognised when an invoice has been received. Accounts payable have a short expected maturity and are recorded at their nominal value and are not discounted. A description of risks is provided in Note **17**.

Interest income relating to financial receivables is recorded as a financial income. Interest expenses on financial liabilities are recorded as a financial expense.

Financial instruments valued at fair value through profit or loss

Financial instruments valued at fair value through profit or loss consist of derivatives and additional purchase price and are valued at their respective fair values. In cases where no information or data is available for measuring financial instruments at fair value, generally accepted valuation methods are used. These may be more or less dependent on quoted information data. New Wave Group holds financial instruments whose measurement is based on both quoted information and non-observable data. A separate calculation is performed by the management based on this information. For financial assets and liabilities with maturities of less than one year, except for derivatives, fair value is assumed to be the nominal value. Financial instruments recognized at fair value in the balance sheet belongs to level two or three in IFRS **13** hierarchy.

New Wave Group uses derivatives, essentially currency futures, to manage financial risks. When a derivatives contract is concluded the Group chooses to classify the derivatives as fair value hedges or cash flow hedges. The derivatives are carried at fair value through profit or loss as long as hedge accounting is not applied. If applied, they are recognized through other comprehensive income. If the derivatives have a positive value, they are recorded for as an asset in the balance sheet and if they have a negative value they are recorded as a liability in the balance sheet.

Financial instruments valued at fair value through other comprehensive income

Financial instruments valued at fair value through other comprehensive income consist of hedge instruments which form part of an effective cash flow hedge. Changes in value for such instruments are recognised in other comprehensive income. When a hedged transaction relates to purchases of inventory the reserve referring to cash flow hedging is reclassified to the cost of the asset. Other cash flow hedges are reclassified to the income statement in the period or periods when the hedged flows affect the income statement. However, if a planned transaction or an assumed obligation is no longer expected to occur, the cumulative gain or loss recognised in other comprehensive income, from the period in which the hedge is applied, is immediately transferred to the income statement. Disclosures on individual hedges are provided in Note **17**.

Accounting policies for the comparison year

The comparison year is reported according to previous accounting policies, which are presented in Note **1** in the annual report for **2017**.

Leasing

Financial leases, where the Group essentially assumes all risks and benefits associated with ownership of the leased object, are recognised in the balance sheet at the lower of the fair value of the leased property or the present value of future minimum lease payments. Lease payments are allocated between funding costs and repayment of the outstanding liability under the lease. Assets held under a financial lease are depreciated over the shorter period of the assets useful life and the lease term. Leases in which the lessor essentially retains all risks and rewards associated with ownership are classified as operating leases. Lease payments are expensed in the income statement on a straight-line basis over the term of the lease.

Stock

Stock is recognised at the lower of cost, as determined by applying the first in first out (FIFO) method, and net realisable value. The net realisable value is the estimated selling price less estimated selling expenses.

Income tax

Current income tax

Current tax assets and tax liabilities for current and previous periods are defined as the amount that is expected to be received back from or paid to the tax authority in each country respectively. The tax rates and tax laws applied in calculating the amount are those which have been adopted or announced at the balance sheet date. Current tax attributable to items recognised in equity and

in other comprehensive income are recognised in equity and other comprehensive income.

Deferred income tax

Deferred tax is recognised in accordance with the balance sheet method for all temporary differences that arise between the carrying amounts and tax values of assets and liabilities in the consolidated accounts. Deferred tax liabilities are accounted for taxable temporary differences. Exempt are temporary differences for consolidated goodwill or when an asset or liability is recognized as part of a transaction which is not a business combination and which, at the time of the transaction, neither affects the reported profit or the taxable profit or loss (i. e. initial recognition exemption).

Deferred tax assets are recognised for all deductible temporary differences, including loss carry-forwards to the extent that it is likely that a taxable profit will be available against which the tax asset can be offset. The valuation of deferred tax assets is reviewed at each balance sheet date and adjusted to the extent that it is no longer probable that sufficient profits will be generated to enable all or part of the deferred tax asset to be used. Deferred tax assets and tax liabilities are determined at the tax rates applying for the period in which the asset is realised or the liability is paid based on tax rates (and legislation) that have been adopted or announced at the balance sheet date. Deferred tax assets and tax liabilities are offset if there is a legal right to offset the amounts against each other and the deferred tax is attributable to the same unit in the Group and the same tax authority.

Pensions

Both defined benefit and defined contribution pension plans are used in New Wave Group. The Group has defined benefit pension plans that are managed by Alecta. This is a plan which covers several employers, and, as Alecta does not have sufficient information available for measurement, the Company's pension obligation with Alecta is accounted for as a defined contribution plan. The Group's contributions to defined contribution pension plans are charged to the income statement in the period to which they are attributable. For information regarding pension plans, see Note **6**.

Operating segment reporting

The operating segments Corporate, Sports & Leisure, and Gifts & Home Furnishings comprise the Group's segments. Under this classification, each trademark is grouped to the various operating segments. See Note **3**.

Note 2 - Key sources of uncertainty in material estimates, assumptions and assessments

To prepare financial statements in accordance with applied accounting policies, certain estimates and assessments which affect the content of the financial statements, i. e. the carrying amounts of assets, liabilities, income and expenses, have to be made. The areas where estimates and assessments are of material significance for the Group, and which may affect the income statement and balance sheet if they are changed, are described below.

Impairment test of intangible fixed assets

Intangible fixed assets, except those which have indefinite useful lives, are amortized over the periods in which they will generate income, i. e. their useful lives. If there is an indication of impairment of an asset the recoverable amount, which is the higher of the fair value of the asset less selling expenses and its value in use, is determined. An impairment loss is recognised when the asset's recoverable amount is less than the carrying amount. The recoverable amount is determined based on management's estimate of future cash flows or other factors. The assumptions made for the purpose of impairment tests, including the associated sensitivity analysis, are explained in Note **8** and affect the estimated present value in all cases.

Goodwill, trademarks and other intangible assets with indefinite useful lives should be tested for impairment at least once a year or if there are indications of impairment. To test these assets for impairment, the assets need to be allocated to operating segments and their values in use need to be calculated. The necessary calculations require that management make an estimate of the expected future cash flow attributable to the defined operating segments. A discount rate also needs to be established for the purpose of discounting the cash flow, see Note **8**. The Group has reviewed the estimates which, if they were to be changed, could have a significant impact on the fair values of assets and would therefore require recognition of impairment losses. The estimates relate to factors such as expected selling prices for the products and discount rates. A description of the assumptions made concerning impairment tests, including sensitivity analyses, is given in Note **8**.

Valuation of inventories

The value is dependent on management's assessments in respect of the calculation of the net realisable value of the stock. These assessments may lead to impairment losses on the stock.

Inventories comprise clothes, gift products and accessories held fore resale, and are stated, by applying the FIFO method, at the lower of cost and net realisable value at the balance sheet date. Internal profits arising from deliveries between companies in the Group are deducted. In the Corporate operating segment the risk that the net realisable value will be lower than the cost is low, as a large portion of the collection comprises timeless basic products for which there is a demand season after season.

In the Sports & Leisure operating segment about **27** % of sales are made through the promo sales channel. This product range mainly comprises basic products with limited fashion risk. For sales made through the retail sales channel orders are sent to the factory upon receipt of a purchase order from the customer, which significantly limits the risk that the net realisable value will be lower than the cost. In the Gifts & Home Furnishings operating segment most of the volume consists of classic and big-selling products, many of which have a product cycle of more than **20** years. This limits the risk that the net realisable value will be lower than the cost.

Deferred taxes

Deferred taxes are recognised for temporary differences arising between the carrying amounts and tax bases of assets and liabilities as well as for unused loss carry-forwards. Deferred tax assets are recognised only if it is likely that these can be used to offset future profits. In the event that actual outcome differs from the estimates made or if management adjusts these estimates in future, the value of deferred tax assets could change. See Note **15** for detailed information.

Provisions for expected credit losses on accounts receivable

Accounts receivable are initially carried at fair value and subsequently at the value at which they are expected to be realised. New Wave Group applies the simplified model for expected credit losses on accounts receivable, at which total expected credit losses for the remaining maturity of the receivable are recognised. When assessing future expected credit losses, both historical and forward-looking information is taken into account. Change of provision for expected credit losses on accounts receivable is recognised in the income statement under external costs. See Note **17** for detailed information.

Note 3 - Operating segment reporting

New Wave Group AB's operating segments constitute Corporate, Sports & Leisure and Gifts & Home Furnishings. The relevant brands are allocated to the operating segment to which they are considered to belong. The Group monitors net sales and EBITDA for each segment. The operating segments are based on the Group's operational management and this is exclusively based on IFRS, which means that no adjustments need to be made in relation to the consolidated financial statements. Central costs have been distributed to the relevant segment based on use.

The Group has a large number of customers of which no one exceeds **10** percent of the Group's net sales.

SEK million	Net sales		EBITDA		Assets		Fixed assets *		Deferred tax assets	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Corporate	3 069.0	2 648.7	353.1	289.7	3 564.8	3 074.0	682.9	585.0	38.4	35.2
Sports & Leisure	2 573.7	2 311.5	218.2	230.3	2 757.3	2 272.0	1 087.5	1 020.0	50.1	44.4
Gifts & Home Furnishings	647.8	637.1	-10.6	14.4	739.3	607.1	286.4	204.4	22.5	11.9
Total	**6 290.6**	**5 597.3**	**560.7**	**534.4**	**7 061.4**	**5 953.1**	**2 056.8**	**1 809.5**	**111.1**	**91.5**

	2018	2017
Total EBITDA	**560.7**	**534.4**
Depreciation	-77.9	-65.3
Net financial items	-40.9	-51.9
Result before tax	**441.8**	**417.2**

* Financial fixed assets are not included.

SEK million	Net sales promo		Net sales retail		Net sales total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Corporate	2 981.4	2 575.6	87.7	73.1	3 069.0	2 648.7
Sports & Leisure	690.7	587.1	1 883.0	1 724.4	2 573.7	2 311.5
Gifts & Home Furnishings	85.6	84.1	562.1	553.0	647.8	637.1
Total	**3 757.7**	**3 246.8**	**2 532.8**	**2 350.5**	**6 290.6**	**5 597.3**

SEK million	Net investments		Depreciations and write-downs		Liabilities	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Corporate	-101.0	-43.8	-40.4	-32.6	2 274.8	1 902.3
Sports & Leisure	-33.9	-42.4	-32.6	-28.0	860.2	589.5
Gifts & Home Furnishings	-28.2	-24.4	-4.9	-4.8	492.2	432.1
Total	**-163.2**	**-110.6**	**-77.9**	**-65.3**	**3 627.2**	**2 923.9**

Geographic areas

SEK million	Net sales		Fixed assets *		Deferred tax assets	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
USA	1 579.7	1 423.7	988.2	916.0	53.8	39.4
Sweden	1 529.9	1 463.8	593.0	496.2	16.8	14.3
Central Europe	986.4	891.1	230.7	208.5	12.9	23.2
Nordic countries excl. Sweden	807.1	727.7	63.1	34.2	4.8	4.1
Southern Europe	716.5	630.8	140.0	94.4	17.1	4.9
Other countries	670.9	460.2	41.9	60.1	5.7	5.6
Total	**6 290.6**	**5 597.3**	**2 056.8**	**1 809.4**	**111.1**	**91.5**

Starting from 2018, the Group's net sales are presented in accordance with the brand reporting. Previous year's figures have been adjusted to allow comparison. Fixed assets and deferred tax assets are based on where the Group's assets are located.

* Financial fixed assets are not included.

Note 4 - Other operating income

SEK million	2018	2017
Exchange rate gains	47.8	31.1
Capital gains	1.0	1.2
Profit from business combinations *	8.4	0.0
Other income	17.6	18.9
Total	**74.8**	**51.2**

*Profit from acquisition of remaining shares in previous associated company Vist Fastighets AB.

Note 5 - Average number of employees

	2018 Number of employees	Of which men	2017 Number of employees	Of which men
Parent company				
Gothenburg	37	24	35	23
Total Parent company	**37**	**24**	**35**	**23**
Subsidiaries				
Employees in Sweden				
Borås	128	59	119	56
Mark	13	8	11	8
Munkedal	124	62	109	59
Lessebo	315	156	310	160
Stenungsund	20	14	23	16
Stockholm	54	33	52	30
Ulricehamn	21	12	19	11
Örebro	9	3	10	3
Total employees in Sweden	**684**	**347**	**653**	**343**
Employees abroad				
Bangladesh	49	47	47	44
Belgium	53	34	43	28
Denmark	73	37	74	36
England	9	4	7	3
Finland	47	27	46	27
France	18	11	16	9
Hong Kong	2	2	4	2
India	13	11	13	11
Italy	50	32	48	31
Canada	110	55	92	42
China	173	75	172	69
The Netherlands	148	87	150	100
Norway	79	44	75	45
Poland	182	52	178	50
Switzerland	35	24	32	20
Spain	24	12	21	13
Taiwan	3	0	3	0
Germany	65	44	50	32
USA	681	257	663	248
Vietnam	27	12	27	12
Wales	24	12	27	14
Austria	19	10	19	4
Total employees abroad	**1 884**	**889**	**1 807**	**840**
Group total	**2 605**	**1 260**	**2 495**	**1 206**

Gender distribution within Group management	2018 Women	Men	Total	2017 Women	Men	Total
Board of Directors	1	4	5	2	4	6
Group Management	0	9	9	0	9	9
Total	**1**	**13**	**14**	**2**	**13**	**15**

Note 6 - Salaries, other remuneration and social security contributions

SEK million	2018 Salaries and other remuneration	Social security contributions	Of which pension costs	2017 Salaries and other remuneration	Social security contributions	Of which pension costs
Parent company	22.0	11.8	3.9	17.8	9.1	2.8
Subsidiaries in Sweden	268.9	113.3	17.6	250.8	106.0	16.7
Subsidiaries abroad	702.8	145.5	21.2	624.7	121.7	17.1
Group total	**993.7**	**270.6**	**42.7**	**893.3**	**236.8**	**36.5**
Of which purchasing and production personnel	191.0	56.3	3.8	163.0	38.6	3.2

Of the parent company's pension costs, SEK 0.4 million (SEK 0.4 million) concerns the Group's Board and the CEO of the Group. Of the Group's pension costs, SEK 4.0 million (SEK 3.6 million) concerns the Board and CEOs.

Salaries and other remuneration distributed by country and divided between board members, CEOs and other employees

SEK million	2018 Board and CEO	Of which bonus*	Other employees	2017 Board and CEO	Of which bonus*	Other employees
Parent company	**1.9**	**0.0**	**20.1**	**2.0**	**0.0**	**15.8**
Subsidiaries in Sweden	**11.5**	**0.2**	**258.0**	**9.8**	**0.1**	**241.0**
Subsidiaries abroad						
Belgium	1.0	0.0	21.6	1.0	0.0	20.6
Denmark	1.5	0.0	40.6	1.6	0.1	36.9
Finland	2.1	0.0	20.3	1.9	0.1	18.2
France	1.3	0.2	7.3	1.0	0.0	3.0
Italy	6.8	3.8	17.6	5.5	2.7	17.4
Canada	4.0	0.2	25.1	3.5	0.0	21.4
China	1.5	0.0	33.6	1.1	0.0	30.2
The Netherlands	5.8	0.2	85.8	7.0	0.1	74.1
Norway	1.4	0.0	45.8	1.2	0.0	40.7
Poland	0.7	0.0	3.3	0.7	0.0	2.6
Switzerland	3.5	0.1	22.6	2.3	0.0	21.6
Spain	1.5	0.0	5.9	1.3	0.0	5.3
Germany	1.2	0.0	25.2	2.5	2.0	19.5
USA	12.0	0.5	286.8	10.9	0.1	257.3
Wales	0.4	0.0	6.5	0.5	0.0	5.7
Austria	1.0	0.0	8.3	0.0	0.0	8.2
Total subsidiaries abroad	**45.6**	**5.0**	**656.3**	**42.1**	**5.2**	**582.5**
Group total	**59.0**	**5.2**	**934.4**	**53.9**	**5.3**	**839.3**

*Bonuses are related to performance and are settled annually with no future commitment.

Conditions of employment for the CEO

Remuneration to the CEO comprises a fixed salary from New Wave Group AB. No Board member fees or other remuneration such as bonuses are paid to the CEO. As pension insurance for the CEO, a market-adjusted fixed payment plan is in place. A mutual notice period of six months applies for the CEO and no severance pay is awarded.

The conditions of employment for other senior executives

Other senior executives are the eight persons who make up the Group management together with the CEO. For the structure of the Group Management, see page **54**. Remuneration to the other senior executives mainly comprises a fixed salary. No board member fees are paid when senior executives take part of Group companies' boards. Market-adjusted fixed payment pension agreements exist for the other senior executives. A mutual notice period of between three to six months exists for the other senior executives and no severence pay is awarded.

Decision-making process

There is no specially appointed remuneration committe to deal with salaries, pension benefits, incentives and other employment-related conditions for the CEO and the Group's other senior executives; these matters are dealt with exclusively by the Board. The salaries of the senior executives are decided by the CEO after consultation with the Chariman of the Board. The Board members' fees are decided by the Annual General Meeting.

Board members' fees	2018	2017
External members of the Parent company's Board	1.0	1.1
Of which to the Chairman of the Board	0.3	0.3

A remuneration committee for the Parent company's Board has not been elected. The fees paid to the Chairman of the Board and the Board members are in accordance with the decision of the Annual General Meeting.

Salaries and other remuneration distributed by Board members and other senior executives

SEK million	2018 Salaries and other remuneration	Of which bonus	Pension costs	2017 Salaries and other remuneration	Of which bonus	Pension costs
Torsten Jansson, CEO	0.9	0.0	0.4	0.9	0.0	0.4
Olof Persson, Chairman of the Board	0.3	0.0	0.0	0.3	0.0	0.0
Christina Bellander, Board Member	0.2	0.0	0.0	0.2	0.0	0.0
Elisabeth Dahlin, resigning Board Member 2018	0.1	0.0	0.0	0.2	0.0	0.0
Mats Årjes, Board Member	0.2	0.0	0.0	0.2	0.0	0.0
M Johan Widerberg, Board Member	0.2	0.0	0.0	0.2	0.0	0.0
Other senior executives*	14.2	1.4	2.5	13.8	1.1	2.1
Total	**16.1**	**1.4**	**2.9**	**15.8**	**1.1**	**2.5**

*Individuals referred to on page 54.

Warrants

The Group has no outstanding warrants.

Pension obligations

Defined benefit pension plans exist within the Group. These are only smaller pension plans. For white-collar employees in Sweden ITP **2**-plan defined benefit pension obligations for retirement- and family pensions (or family pension) are secured through insurance in Alecta. According to a statement from the Swedish Financial Reporting Board, UFR **10** Accounting for pension plan ITP **2** financed by insurance in Alecta, this is a defined benefit plan that covers several employers. For financial year **2018** the company has not had access to information in order to account for its proportionate share of the plan's obligations, plan assets and costs which meant that the plan has not been possible to account for as a defined benefit plan. The pension plan ITP **2** secured through insurance in Alecta is therefore recognized as a defined contribution plan. The premium for the defined benefit retirement and family pension is individually calculated and is dependent on factors including salary, previously earned pension and expected remaining period of service. Expected premiums for **2019** amount to SEK **9,4** million (SEK **10.0** million).

The collective funding level is the market value of Alecta's assets in percent of the commitments calculated in accordance with Alecta´s calculation assumptions for insurance purposes, which do not comply with IAS **19**. The collective consolidation level is normally allowed to vary between **125** and **155** %. If Alecta's consolidation level fall below **125** % or exceed **155** %, measures should be taken in order to create conditions to reestablish the consolidation level to the normal range. At low consolidation, a measure can be to raise the agreed price for new agreements. At high consolidation, a measure can be to introduce premium reductions. Alecta's collective funding ratio at the end of the year was **142** % (**154** %).

Note 7 - Remuneration to auditors

SEK million	2018	2017
Audit assignment		
Ernst & Young	5.0	4.7
Other	2.5	3.2
Audit work outside audit assignment	0.6	0.6
Tax consultancy	1.1	1.5
Total	**9.2**	**10.0**

Note 8 - Intangible fixed assets

	Goodwill		Trademarks		Computer software		Other intangible fixed assets	
SEK million	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Accumulated acquisition values								
Opening accumulated acquisition values	904.5	952.1	511.6	546.9	151.7	124.2	56.7	60.8
Acquisitions	0.0	0.0	0.7	0.0	14.2	29.4	0.5	0.0
Sales/disposals	0.0	0.0	0.0	0.0	0.0	-0.6	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	50.1	-47.6	29.6	-35.3	6.8	-1.3	6.3	-4.1
Closing accumulated acquisition values	**954.5**	**904.5**	**542.0**	**511.6**	**172.7**	**151.7**	**63.5**	**56.7**
Accumulated depreciation								
Opening accumulated depreciation	-52.7	-52.3	-22.7	-23.8	-110.9	-98.4	-25.7	-21.6
Sales/disposals	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation of the year	0.0	0.0	0.0	0.0	-18.3	-12.3	-4.6	-4.0
Translation differences	-0.7	-0.4	-1.1	1.1	-4.4	-0.8	-3.7	-0.1
Closing accumulated depreciation	**-53.4**	**-52.7**	**-23.8**	**-22.7**	**-133.7**	**-110.9**	**-34.0**	**-25.7**
Accumulated write-downs								
Opening accumulated write-downs	-17.0	-17.0	-1.5	-1.5	0.0	0.0	0.0	0.0
Write-downs of the year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Closing accumulated write-downs	**-17.0**	**-17.0**	**-1.5**	**-1.5**	**0.0**	**0.0**	**0.0**	**0.0**
Closing book value	**884.2**	**834.7**	**516.6**	**487.4**	**39.0**	**40.8**	**29.5**	**31.0**

Goodwill allocated to operating segments		
SEK million	**2018**	**2017**
Corporate	261.8	254.7
Sports & Leisure	569.3	526.1
Gifts & Home Furnishings	53.1	53.9
Total	**884.2**	**834.7**

Trademarks allocated to operating segments		
SEK million	**2018**	**2017**
Corporate	15.8	14.8
Sports & Leisure	390.9	362.5
Gifts & Home Furnishings	110.0	110.0
Total	**516.7**	**487.4**

Valuation

The Group's intangible fixed assets with indefinite useful lifetime consist of goodwill and trademarks, where the useful lifetime for the trademarks is considered indefinite due to the fact that they are considered strategic trademarks on each market and the Group's aim is to retain them for further development. The trademarks with a higher value recorded at cost are well known trademarks, such as Orrefors and Kosta Boda in Gifts & Home Furnishing and primarily Cutter & Buck in Sports & Leisure.

The value of the Group's goodwill and trademarks, which are based on local currency and may give rise to translation differences in the consolidated financial statements, has been divided between the cash generating units they are considered to belong to, which also constitue the operating segments as shown in the above tables. The value of these intangible assets is tested for impairment annually but may be tested more frequently if there are indications of impairment. In order to assess any possible impairment, the recoverable amount needs to be calculated which is done by calculating each cash generating units value in use. The value in use is based on cash flow forecasts for the next five years and a long term term growth rate, so called terminal growth. The most significant assumptions when determining the value in use consist of growth rate, operating margin and discount rate (WACC). When calculating the discount rate estimations of financial factors such as interest rate levels, borrowing costs, market risk, beta values and tax rates are made. Since the cash generating units have different characteristics, each unit is assessed based on its market conditions. The calculated cost of capital (WACC) is considered representative for all of the cash generating units.

The cash flow forecasts in the impairment test are based on the Board's approved five year forecasts (**2019-2023**) and a terminal growth of **3** (**3**) %.

When discounting estimated future cash flows a pre tax weighted average cost of capital (WACC) of **10.2** (**10.3**) has been used.

The **2018** impairment test shows no need for impairment. Nor where there any need for impairment in the comparison year. Sensitivity analyses have been completed for all cash generating units.

Corporate

Sales mainly occur in the following regions Sweden, the Nordic countries (excl. Sweden), Europe and Asia. The assumptions made are that growth will occur on existing markets through an increased market share and also through establishments on new markets. The operating margin and turnover rate in inventory, is expected to be on current level.

Sales mainly occurs in the promo sales channel (**97** %) which means that a properly balanced inventory is an important component for reaching a good service level.

A sensitivity analysis shows that the value can be maintained even if the growth rate decreases by **3** (**4**) percentage points, the operating margin decreases by **1** (**2**) percentage point or if the WACC increases by **2** (**3**) percentage points.

Sports & Leisure

The operating segment's sales mainly occur in the retail sales channel and on the American and Swedish markets. The forecasts include a growth on existing markets through an increased market share. The sales growth is expected to lead to an improved operating margin. The turnover in inventory is expected to increase some what during the forecast period (**2019-2023**).

A sensitivity analysis shows that the value can be maintained even if the growth rate decreases by **1** (**4**) percentage point, the operating margin decreases by **1** (**2**) percentage point or if the WACC increases by **1** (**2**) percentage point.

Gifts & Home Furnishings

Most of the sales occur on the Swedish market and in the retail sales channel. The assumptions made is that sales are expected to increase on existing markets and that the operating margin will continue to improve. Capital tied-up in inventory is expected to increase in relation to sales.

A sensitivity analysis shows that the value can be maintained even if the growth rate decreases by **1** (**2**) percentage point, the operating margin decreases by **1** (**1**) percentage point or if the WACC increases by **1** (**1**) percentage point.

Note 9 - Tangible fixed assets

SEK million	Buildings and land 2018	Buildings and land 2017	Equipment, tools and installations 2018	Equipment, tools and installations 2017
Accumulated acquisition values				
Opening accumulated acqusition values	367.4	354.8	498.4	459.9
Acquistion through business combinations	80.0	0.0	0.0	0.0
Acquisitions	21.1	18.7	126.0	68.2
Sales/disposals	0.0	0.0	-15.2	-16.2
Translation differences	16.4	-6.1	30.4	-13.5
Closing accumulated acquistion values	**484.9**	**367.4**	**639.6**	**498.4**
Accumulated depreciations				
Opening accumulated depreciations	-110.1	-102.1	-314.5	-287.7
Sales/disposals	0.0	0.0	11.3	11.9
Depreciations as a part of production costs/goods for resale	-0.6	-1.0	-12.9	-10.5
Depreciations during the year	-10.4	-8.6	-44.5	-39.9
Translation differences	-6.3	1.6	-23.4	11.7
Closing accumulated depreciations	**-127.3**	**-110.1**	**-384.1**	**-314.5**
Accumulated write-downs				
Opening write-downs	-20.2	-20.2	-5.5	-5.5
Sales/disposals	0.0	0.0	0.0	0.0
Closing accumulated write-downs	**-20.2**	**-20.2**	**-5.5**	**-5.5**
Closing book value	**337.4**	**237.1**	**250.0**	**178.4**

Leasing fees for operational leasing

The Group has operational leasing agreements primarily related to rental of premises and leasing of cars. The future minimum commitment for these agreements can be seen in the following summary.

SEK million	2018
2019	158.3
2020	139.3
2021	119.2
2022	92.0
2023 incl. fees through contract period end	255.7
Operational leasing costs for the year	177.1

SEK million	2017
2018	136.2
2019	118.7
2020	98.8
2021	82.7
2022 incl. fees through contract period end	214.5
Operational leasing costs for the year	147.2

Note 10 - Currency exposure in operating result

SEK million	2018	2017
Operating result		
Euro, EUR	151.4	143.5
Canadian dollar, CAD	-28.4	-12.2
Swiss franc, CHF	136.9	80.6
US dollar, USD	45.0	61.3
Norwegian krone, NOK	24.3	26.9
Danish krone, DKK	14.3	19.2
Chinese yuan, CNY	17.6	14.8
Polish zloty, PLN	3.8	4.6
Hong Kong dollar, HKD	49.9	49.9
British pound, GBP	-3.5	0.3
Total operating result in foreign currencies	**411.3**	**389.1**

The table shows currency exposed operating result per currency, before Group adjustments.

Note 11 - Financial income and expenses

SEK million	2018	2017
Interest income	2.9	2.9
Interest on overdue accounts receivable	2.6	2.2
Translation differences on short-term receivables	-1.0	-0.4
Interest expense	-42.8	-54.2
Interest on overdue accounts payable	-0.3	-0.1
Translation differences on liabilities	-1.3	-1.1
Other financial expenses	-1.1	-1.2
Total	**-40.9**	**-51.9**


PROJOB
SWEDISH WORKWEAR

Note 12 - Tax expense

SEK million	2018	2017
Current tax	-94.9	-71.4
Tax attributable to previous years	-2.2	-0.4
Total current tax expense	**-97.1**	**-71.8**
Deferred tax relating to temporary differences and loss carry-forwards	15.3	8.6
Total recorded tax expense on result for the year	**-81.8**	**-63.2**

The Group's tax expense for the year amounted to SEK 81.8 million (SEK 63.2 million) or 18.5 % (15.2 %) on result before tax.

Reconciliation of actual tax

Reconciliation between the Group's weighted average tax rate, based on each respective country's tax rate, and the Group's actual tax:

SEK million	2018	%	2017	%
Result before tax	441.8		417.3	
Tax expense based on respective country's tax rate	-89.3	-20.2	-81.0	-19.4
Tax effects from:				
Non-taxable income	0.9	0.2	4.4	1.1
Non-deductible expenses	-2.5	-0.6	-5.7	-1.4
Tax arrears assessment	-2.2	-0.5	-0.4	-0.1
Regional and other variations regarding tax rates	-0.1	0.0	-2.3	-0.6
Changed tax rate in USA *	0.0	0.0	9.3	2.2
Reverse of previous activated loss carry-forwards	-9.0	-2.0	-5.8	-1.4
Taking in use previously not activated loss carry-forwards	10.6	2.4	15.6	3.7
Not activated loss carry-forwards	-11.8	-2.7	-1.9	-0.5
Temporary differences	18.6	4.2	4.8	1.1
Other	3.0	0.7	-0.2	0.0
Total recorded tax expense on result for the year	**-81.8**	**-18.5**	**-63.2**	**-15.2**

* The reduced corporate tax rate in the United States has decreased the deferred tax asset on temporary differences with SEK 13.6 million and the deferred tax liability on Group values with SEK 22.9 million during 2017.

Note 13 - Shares in associated companies

SEK million	Company registration number	Registered office	Share of capital, %	Share of votes, %	Number of shares	2018 Book value	2017 Book value
Dingle Industrilokaler AB	556594-6570	Munkedal	49	49	83 055	7.2	7.2
Glasrikets skatter ekonomisk förening	769620-1701	Lessebo	10	10	100	1.0	1.0
Kosta Köpmanshus AB	556691-7042	Lessebo	49	49	7 350	29.5	29.5
Vist Fastighets AB*	556741-1672	Ulricehamn	-	-	-	-	14.9
Jobman Workwear GmbH	758048	Freiberg	49	49	2	1.4	0.5
Others			-	-	-	0.1	0.2
Total						**39.3**	**53.3**

Based on IFRS 10 and 11, New Wave Group is not considered to have controlling influence over the above presented companies.

* As from 1 December 2018, Vist Fastighets AB is a fully owned subsidiary to New Wave Group AB and is therefore included in Note 12 Shares in Group companies for the Parent company.

	Companies' equity amounted to		The Group's share of total comprehensive income for the year		The Group's share of contingent liabilities	
SEK million	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Dingle Industrilokaler AB	14.8	14.8	0.0	0.0	None	None
Glasrikets skatter ekonomisk förening	12.6	12.6	0.0	0.0	None	None
Kosta Köpmanshus AB	64.1	64.1	0.0	0.0	None	None
Vist Fastighets AB*	-	20.6	0.0	0.1	None	None
Jobman Workwear GmbH	1.2	1.2	-1.1	-1.8	None	None

Note 14 - Other long-term receivables

SEK million	2018	2017
Loans secured	0.8	0.8
Deposits	7.9	5.8
Other long-term receivables	4.8	3.7
Total	**13.5**	**10.2**

Note 15 - Deferred tax assets and tax liabilities

Deferred tax assets and liabilities in the Group assigned to:

SEK million	2018 Assets	Liabilities	2017 Assets	Liabilities
Loss carry-forwards	39.4	-	26.7	-
Internal profits	27.2	10.0	22.0	10.2
Reserves	-	1.4	0.6	1.4
Depreciation and fixed assets	3.5	10.8	3.5	5.5
Stock	26.8	0.8	24.8	-
Accounts receivable	8.1	-	9.3	-
Personnel costs	1.2	-	1.3	-
Additional purchase price	2.1	-	1.7	-
Leasing	1.5	-	1.6	-
Prepaid costs	-	1.6	-	2.4
Trademarks	-	105.9	-	100.7
Tax allocation reserves and accelerated depreciation	-	13.6	-	8.8
Cash flow hedges	-	0.1	-	0.5
Other temporary differences	1.1	0.4	-	0.4
Deferred tax assets and liabilities	**111.1**	**144.6**	**91.5**	**129.9**

Loss carry-forwards

At the year-end the Group had total tax loss carry-forwards of SEK **373.8** million (SEK **342.8** million). Deferred tax has been recognized on SEK **153.9** million (SEK **82.1** million) of the tax losses which has resulted in a deferred tax asset of SEK **39,4** million (SEK **26.7** million). The maturity for all tax loss carry-forwards is shown in the table to the right.

Deferred tax liability arising from tax allocation reserves and accelerated depreciation in Sweden are due as follows:

SEK million	2018	2017
2021	0.8	0.8
2022	5.1	5.1
2023	4.9	0.0
Unlimited lifetime	2.6	2.9
Total	**13.5**	**8.8**

Total loss carry-forwards expire as follows:

SEK million	2018	2017
2018	-	3.0
2019	0.0	0.0
2020	0.1	0.1
2021	0.0	0.0
2022	8.0	7.4
2023	10.8	9.9
2024	13.8	12.7
2025	0.0	3.3
2026	0.0	0.4
2027	6.0	5.5
2028	15.9	14.5
2029-2036	61.3	27.2
Unlimited lifetime	257.9	258.9
Total	**373.8**	**342.8**

In the Group there are tax loss carry-forwards in a number of companies within different tax groups. In each separate case an assessment is made, with reasonable certainty, whether or not the carry-forwards will be utilized. The assessment takes into consideration managements forecasts, historical and present performance levels and the expiration date of the loss carry-forwards. Based on the assessments, the loss carry-forwards are divided into three different groups where group A represents in full recorded loss carry-forwards, group B represents partially recorded loss carry-forwards and group C represents loss carry-forwards that have not been recorded at all. The distribution is shown in the tables below.

2018 SEK million Group	Total loss carry-forwards	Of which recognized tax	Loss carry-forwards with no recorded tax	of which not recognized tax
A	155.0	32.8	26.2	7.1
B	80.2	6.7	55.0	14.1
C	138.6	0.0	138.6	34.6
Total	**373.8**	**39.4**	**219.9**	**55.9**

2017 SEK million Group	Total loss carry-forwards	Of which recognized tax	Loss carry-forwards with no recorded tax	of which not recognized tax
A	20.9	5.7	0.0	0.0
B	82.3	20.1	21.1	6.5
C	239.6	0.0	239.6	57.2
Total	**342.8**	**25.8**	**260.7**	**63.7**

Note 16 - Stock

SEK million	2018	2017
Raw materials	40.3	34.9
Work in progress	14.0	8.7
Goods in transit	222.6	144.0
Good for resale in stock	2 954.0	2 455.8
Total	**3 230.9**	**2 643.4**

Stocks consist of clothes, gift items and accessories for resale as well as raw materials. The stock is valued by applying the FIFO principle, at the lowest of the cost and net sales value on the balance sheet date. Deductions are made for internal profit made from deliveries between Group companies. There is a low risk that the net sales value is lower than the cost in the Corporate operating segment since much of the product range consists of timeless basic products which are in demand season after season. For sales within the Sports & Leisure operating segment, orders to the factory are placed once the purchase order has been received from the customer, which considerably reduces the risk that the net sales value is lower than the cost. Remaining sales are mainly made up of basic items with a limited fashion risk. Within the Gifts & Home Furnishings operating segment, most of the volume consists of classic, best-selling products that in many cases have a product cycle of more than **20** years, which limits the risk that the net sales value is lower than the cost. As of **31** December **2018**, the Group's stock has been written down with SEK **121.5** million (SEK **106.0** million). Impairment related to merchandise on stock amounted to **4.0**% (**4.1**%). The part of the stock which is recorded to net sales value amounts to SEK **795.6** million (SEK **713.5** million).

Note 17 - Financial instruments and financial risk management

The fair values of interest-bearing assets and liabilities may differ from their carrying amounts, partly as a result of changes in market interest rates. The fair values of these assets have been determined by discounting future cash flows using current interest rates and exchange rates for equivalent instruments. For financial instruments such as accounts receivable, accounts payable and other non-interest-bearing financial assets and liabilities, which are carried at amortized cost less any impairment losses, the fair value is deemed to agree with the carrying amount. Financial instruments at fair value in the balance sheet belongs to level two and three in IFRS **13** hierarchy. The Group's long term borrowing is mainly through credit facilities with long maturities but short fixed-rate periods.

2018

SEK million Financial assets	Assets at fair value through profit and loss	Assets at amortized cost	Total	Fair value
Accounts receivable	-	1 084.1	1 084.1	1 084.1
Other receivables	-	88.9	88.9	88.9
Derivatives *	-	-	-	-
Liquid assets	-	312.2	312.2	312.2
Total assets	**-**	**1 485.2**	**1 485.2**	**1 485.2**

Financial liabilities	Liabilities at fair value through profit and loss	Liabilities at amortized cost	Total	Fair value
Interest-bearing liabilities	-	2 143.2	2 143.2	2 143.2
Derivatives *	0.1	-	0.1	0.1
Accounts payable	-	751.5	751.5	751.5
Accrued expenses	-	313.2	313.2	313.2
Other liabilities	1.1	166.0	167.1	167.1
Total liabilities	**1.2**	**3 373.9**	**3 375.1**	**3 375.1**

2017

SEK million Financial assets	Assets at fair value through profit and loss	Assets at amortized cost	Total	Fair value
Accounts receivable	-	982.8	982.8	982.8
Other receivables	0.3	62.0	62.3	62.3
Accrued income	-	7.6	7.6	7.6
Derivatives *	2.2	-	2.2	2.2
Liquid assets	-	202.4	202.4	202.4
Total assets	**2.5**	**1 254.8**	**1 257.3**	**1 257.3**

Financial liabilities	Liabilities at fair value through profit and loss	Liabilities at amortized cost	Total	Fair value
Interest-bearing liabilities	-	1 839.7	1 839.7	1 839.7
Accounts payable	-	535.9	535.9	535.9
Accrued expenses	-	234.5	234.5	234.5
Other liabilities	1.3	105.0	106.3	106.3
Total liabilities	**1.3**	**2 715.1**	**2 716.4**	**2 716.4**

* Derivatives are included in the item Other liabilities in the Consolidated balance sheet.

Financial risk management

New Wave Group is continually exposed to various financial risks. Financial risks comprise interest risks, currency risks and liquidity and credit risks. To minimize the impact on the income statement from these risks, the Group has a financial policy which describes how the Group seeks to limit the impact of financial risks on the income statement. The goal is to ensure that the central finance function exploits available economies of scale in the Group and assists the subsidiaries by providing professional service in order to minimize the risks.

Interest risk

New Wave Group believes that the use of short-term fixed interest rates leads to lower borrowing costs over time while short-term interest rates follow the economy cycles and therefore offset fluctuations in the Group's earnings. The breakdown by currency of the Group's net debt at year-end is shown in the table below. An increase in interest rates over the course of the year by one percentage point would have a negative impact on earnings of SEK **10.7** million (SEK **9.2** million), based on the reported net debt at **31** December **2018**. Net debt break-down is shown in Note **20**.

SEK million Break-down by currency	2018 Net debt	2017 Net debt
SEK	-1 349.4	-507.2
EUR	-309.1	-215.2
GBP	-18.3	-16.6
USD	-197.7	-831.2
CHF	79.8	8.8
DKK	19.4	50.9
NOK	-120.3	-113.1
CAD	-26.0	-53.9
CNY	19.2	23.6
Other	71.3	16.6
Total	**-1 831.0**	**-1 637.3**

Currency risk

A significant portion of New Wave Group's sales are made in foreign currency (**76** %). The Group is exposed to changes in exchange rates in the future flows of payments related to firm commitments and to loans and investments in foreign currencies, i.e. transaction exposure. The Group's financial statements are also affected by translating the results and net assets of foreign subsidiaries into SEK, i.e. translation exposure.

Transaction exposure and hedge accounting

Transaction exposure mainly arises as a result of intra-Group transactions between the Group's purchasing companies and sales companies, situated in other countries and selling the products to their customers normally in local currency on their local market. In some countries, transaction exposure may arise from sales to external customers in a currency different from the local currency. The Group's most important purchasing currency is USD. Changes in exchange rates between USD, EUR and SEK constitute the single largest transaction exposures in the Group.

Managing the currency exposure related to purchases differs between the Group's both sales channels. In the promo sales channel, New Wave Group is the stock keeper and orders from resellers are therefore not placed until the the reseller has received an order from the end customer. The order backlog for future deliveries is therefore small, as deliveries are made immediately. Currency hedging is not used for this sales channel since price adjustments towards the customer are made continuously as the purchase price changes. In the retail sales channel, sales are mostly made through advance orders and, at this point, the prices towards the customers are fixed. An advance order means, for example, that customers place orders in the spring for deliver in te autumn. In order to limit the currency risk in these advance orders, derivatives are purchased to guarantee that the value of incoming deliveries to the warehouses match the prices towards the customers. In these cases hedge accounting according to IFRS **9** is applied, which means that changes in the value of the derivatives that are part of an effective cash flow hedge are recognized in other comprehensive income.

In the Corporate operating segment, **97** (**97**) % of the sales occur in the promo sales channel and adjustments for changes in purchase prices are made continuously. In Sports & Leisure about **73** (**75**) % of sales are made through the retail sales channel which means that the majority of purchases in the operating segment are hedged against fluctuations in exchange rates. For Gifts & Home Furnishings, **85** (**87**) % of the sales are to retail and most of the production takes place in Sweden. Where purchases are made from another country, **50-80** % of the purchase in a foreign currency are hedged against fluctuations in exchange rates.

The Group's principal commercial flows of foreign currencies mainly pertain to imports from Asia to Europe and intra-Group flows within Europe. Currency rates and payment conditions to be applied to the internal trade between the Group companies are set centrally. Currency exposure and risk is primarily, and to a large extent, reduced by netting internal transactions. Therefore, through netting, the Group's main transaction exposure can be reduced and, together with the use of currency hedges and financing in each company's functional currency the exposure is further reduced.

The actual currency exposure amounted to SEK **26.3** million (SEK **13.9** million) on the balance sheet date.

The corresponding average currency exposure for the year amounted to SEK **31.6** million (SEK **26.7** million) and the below table displays the sensitivity of a reasonable change in the currencies in which the Group has the greatest exposure. Impact on the Group's result before tax refers to the impact from changes in the fair value of financial assets and liabilities but excluding foreign currency derivatives where hedge accounting is applied. Impact on equity before tax for the Group refers only to the impact from changes in the fair value of the derivatives where hedge accounting is applied.

2018 Currency	Change	Impact on result before tax (SEK million)	Impact on equity before tax (SEK million)
USD	+5%	0.4	2.4
	-5%	-0.4	-2.4
EUR	+5%	0.9	0
	-5%	-0.9	0
DKK	+5%	0.4	-
	-5%	-0.4	-
CHF	+5%	-0.4	-
	-5%	0.4	-

2017 Currency	Change	Impact on result before tax (SEK million)	Impact on equity before tax (SEK million)
USD	+5%	0.5	3.0
	-5%	-0.5	-3.0
EUR	+5%	0.7	0.1
	-5%	-0.7	-0.1
DKK	+5%	0.4	-
	-5%	-0.4	-
CHF	+5%	-0.6	-
	-5%	0.6	-

A sensitivty analysis regarding the other currencies does not have an material effect on result before tax for each currency separately. The aggregated effect for other currencies, provided a 5 % stronger SEK-rate per currency, would impact result before tax with SEK +0.3 million (SEK +0.3 million).

Translation exposure

The Group accounts are also affected by translating the results and net assets of foreign Group companies into SEK. A change of **1** % of the currency exchange rates would impact sales by SEK **47.5** million (SEK **41.2** million), calculated on the sales for **2018** where USD and EUR impacts the most with SEK **15.8** million (SEK **14.2** million) and SEK **16.6** million (SEK **14.7** million) each. Such an effect on the exchange rates would impact closing equity by SEK **28.8** (**18.7**) million. The below table displays a sensitivity analysis regarding sales based on the preceding year's currency exchange rates, where a translation of net sales to the exchange rates of the preceding year would have lowered net sales by SEK **185.4** (**22.8**) million.

SEK million Currency impact per geographic area	2018	2017
USA	37.2	-4.9
Nordic countries	38.4	10.7
Central Europe	58.9	8.2
Southern Europe	37.1	10.9
Other countries	13.9	-2.1
Total	**185.4**	**22.8**

Liquidity risk

Due to the relatively capital-intensive nature of its activities and its expansive growth strategy, New Wave Group has a need to secure its funding. For a growth Group like New Wave Group it is essential to ensure that sufficient liquidity is available to fund future expansion and that there is a high degree of flexibility when acquisition opportunities occur. It is also important that a sound balance between equity and financing through debt is kept which is why New Wave Group's goal is to achieve an equity ratio in excess of **30** %. New Wave Group has a centralized finance function, which means that external borrowing is managed and administered centrally as far as possible. The liquidity generated in the Group is continually transferred to New Wave Group's treasury center through various pooling systems and reduces the total credit volume. New Wave Group has not made any financial investments.

The Group signed a new funding agreement as of **11** April **2018**. As of **31** December **2018**, the total credit facility amounted to SEK **2,765** million, of which SEK **2,000** million runs until and including March **2022** and USD **30** million has a maturity which runs until and including January **2024**. The other SEK **500** million has a term of between three months and six years. The credit facility amount is limited to, and dependent on, the value of some underlying assets.

The financing is based on commitments (covenants) regarding financial ratios. The covenants are met as of **31** December **2018**. Based on the current forecast, management deems that the Group will be able to achieve these key performance indicators by a satisfactory margin going forward.

The table below displays the maturity analysis of the amortization of interest-bearing liabilities including contractual and undiscounted interest payments. Any planned future liabilities have not been included. Interest payments related to financial instruments with floating rate have been calculated based on the interest rate at year end.

SEK million Maturity analysis of New Wave Group's loans	2018	2017
2018	-	118.2
2019	350.8	1 619.5
2020	98.1	59.5
2021	95.3	57.9
2022	1 682.3	56.3
2023	60.6	54.4
2024	16.5	14.8
Maturity analysis of New Wave Group's other financial liabilities	**2018**	**2017**
2018	-	876.1
2019	1 231.8	-

The table below displays the maturity for the Group's outstanding currency futures och unrealized amounts per year-end, distributed per currency. All contracts mature within twelve months from year-end.

2018-12-31 Currency	Hedged volume result, SEK million	Unrealized, SEK million	Number of hedged months
EUR	0.8	0.0	< 6
USD	47.8	0.4	< 6
CAD	1.3	0.1	< 6
		0.5	

2017-12-31 Currency	Hedged volume result, SEK million	Unrealized, SEK million	Number of hedged months
EUR	2.1	-0.4	< 6
EUR	0.3	0.0	6 - 12
USD	37.9	1.5	< 6
USD	21.8	1.1	6 - 12
		2.2	

Credit risks

Credit risk is defined as the Group's exposure to losses in the event that one party to a financial instrument fails to discharge an obligation. The Group is exposed to credit risk from its operating activities, primarily from accounts receivable, and from financing activities which includes deposits at banks and financial institutions, currency futures and other financial instruments. The Group's total exposure to credit risk amounted, at year-end, to SEK **1,485.2** million (**1,257.3**) which was based on the carrying value of all financial assets.

Accounts recievable

The risk that the Group's customers will fail to meet their obligations, i.e. that New Wave Group's accounts receivable will not be paid, constitutes a credit risk. New Wave Group has centrally adopted a finance policy and directives, based on which each company has drawn up a set of written procedures for credit control. Information from external credit reference agencies is one stage of the process. Furthermore, companies in the Group, based on the finance policy, have the option, when needed, to insure accounts receivable which means that if the customer fails to meet its payment the company will be reimbursed by the insurance company. The credit risk in the Corporate operating segment is lower, as the resellers, which are New Wave Group's customers, make purchases based on orders that have already been placed by the end customers. The resellers are relatively small and large in number. In **2018** confirmed credit losses in Corporate represented **0.09** (**0.08**) % of sales. In the Gifts & Home Furnishings and Sports & Leisure operating segments sales are made to selected resellers, and credit losses are small, although there is a higher concentration to a smaller number of customers compared to the promo market. In **2018** confirmed credit losses in these two operating segments represented **0.31** (**0.28**) % and **0.09** (**0.17**) % of net sales.

SEK million		
Accounts receivable	**2018**	**2017**
Exposure	1 121.2	1 016.0
Credit risk reserve	- 37.1	- 33.2
Carrying amount	**1 084.1**	**982.8**

The table below shows the aging distribution of accounts receivable and the credit risk reserve.

SEK million	2018		2017	
Age analysis	Accounts receivable	Credit risk reserve	Accounts receivable	Credit risk reserve
< 30 days	1 004.5	-2.3	913.7	-1.7
30 - 90 days	69.1	-2.5	62.0	-2.5
> 90 days	47.6	-32.4	40.3	-29.0
Total	**1 121.2**	**-37.1**	**1 016.0**	**-33.2**

The reserve for expected credit risk in accounts receivable has been changed as follows:

SEK million		
Credit risk reserve for accounts receivable	**2018**	**2017**
Credit risk reserve at the beginning of the year	-33.2	-37.8
Reclassification	0.0	0.0
Reserve for expected credit risks	-14.0	-10.2
Confirmed losses	11.3	14.1
Translation difference	-1.2	0.7
Credit risk reserve at year-end	**-37.1**	**-33.2**

A description of credit risk exposures is given in the table below:

As of 31 December 2018	Number of customers	Percentage of total customers	Percentage of portfolio
Exposure < 1 SEK million	29 225	93.1	64.6
Exposure 1 - 5 SEK million	996	3.2	21.8
Exposure > 5 SEK million	1 162	3.7	13.6
Total	**31 383**	**100.0**	**100.0**

As of 31 December 2017	Number of customers	Percentage of total customers	Percentage of portfolio
Exposure < 1 SEK million	28 996	95.1	68.0
Exposure 1 - 5 SEK million	636	2.1	18.5
Exposure > 5 SEK million	839	2.8	13.5
Total	**30 471**	**100.0**	**100.0**

Other financial assets

Other financial assets include derivatives, other receivables and liquid assets. Credit risk related to balances at banks and other financial institutions is managed by the Group's treasury center in accordance with the Group's finance policy. The Group deals only with well-established financial institutions. Other receivables, which represents **6.0** (**6.6**) % of the total credit risk, are managed locally on an ongoing basis in accordance with the Group's finance policy and with support from the central finance function. No credit risk reserve has been recorded for other financial assets.

Other risks

Purchasing market

New Wave Group's purchases are mainly made in China, Bangladesh, India and Vietnam. Political and socioeconomic changes could have an impact on New Wave Group. By maintaining a high level of preparedness and by making purchases in several different countries in Europe as well as Asia, New Wave Group limits the economic risk which would arise if purchases were made from a single country.

Strong growth

The continued expansion planned by New Wave Group will put strong pressure on management and employees. Wrong recruitments, organizational problems, the departure of key individuals etc. could delay and affect the progress of the expansion. The crucial factor determining the pace of expansion is that results expand at the same pace. New Wave Group is allocating resources to mentorship schemes and annual meetings of management to guarantee strong future leadership and spread New Wave Group's values.

Fashion trends – changes in economic conditions

New Wave Group devotes significant resources to ensure good design and quality. Still, due to the rapid pace of change in the fashion industry, the Group cannot exclude the possibility of temporary declines in sales for certain collections. However, New Wave Group has a limited risk, as the fashion content is low in the Corporate operating segment and the promo sales channel. The Sports & Leisure operating segment also focuses on areas that are less sensitive to changes in fashions, even if fashion trends have a somewhat higher impact. New Wave Group's goal is that the promo sales channel shall account for **60–80** % of total sales.

Foreign expansion

The Group intends to establish a presence in additional foreign countries only when previous foreign operations are generating satisfactory profits. The Board deems that this strategy represents a good compromise between optimal growth and reduced risk. New Wave Group believes it is very hard to determine the exact timetables and budgets for new foreign ventures, which could entail a risk of initial losses. However, the Board deems that the company is well equipped for the new ventures that are being planned.

Environment

The Group's operations may involve environmental commitments, but the Board's and the management's assessment is that these, to the extent that they may have an impact on the Group's financial position, have been considered in the present financial statement.

Note 18 - Related parties

SEK million	The Group's sales to		The Group's purchases from		The Group's receivables on		The Group's liabilities to	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Glasrikets skatter Ekonomisk förening	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Dingle Industrilokaler AB	0.1	0.1	3.5	1.8	23.5	22.7	0.4	0.2
Kosta Köpmanshus AB	2.7	2.9	18.4	16.7	0.5	1.0	2.2	1.0
Vist Fastighets AB*	0.1	0.1	1.3	3.5	0.0	0.0	0.0	1.4
Total	**2.9**	**3.1**	**23.3**	**22.1**	**24.0**	**23.7**	**2.6**	**2.6**

* As from 1 December 2018, Vist Fastighets AB is a fully owned subsidiary to New Wave Group AB.

Associated companies are reported in Note **13**. Information is also submitted in the presentation of the Board and Management and in Note **6**. Reporting of dividends from, and capital contributions to, associated companies is covered in Note **13**. All transactions are carried out under market conditions.

Transactions related to persons included in management

Ulrica Messing is CEO in one of the Group companies. A company owned by her has purchased goods, amounting to SEK **0.1** million (SEK **0.2** million), from companies within New Wave Group. Her company has also paid rent for premises, amounting to SEK **0.1** million (SEK **0.1** million), to New Wave Group companies. Her company has sold goods to companies within New Wave Group for SEK **0.1** (**0.1**) million and compensation for consultancy services rendered amounts of SEK **0.6** million (SEK **0.6** million). During the previous year, Göran Härstedt carried out consultancy services amounting to SEK **0.6** million, which was invoiced through a company owned by him. No such services have been carried out during **2018**. All transactions are carried out under market conditions.

Note 19 - Prepaid expenses and accrued income

SEK million	2018	2017
Rent expenses	13.7	13.6
Marketing expenses	13.7	5.4
Other accrued income	8.4	2.5
Trade fair costs	8.0	7.2
IT expenses	7.2	8.3
Other prepaid costs	5.4	13.3
License fees	4.7	0.2
Catalogue costs	4.7	4.4
Royalty income	4.6	5.2
Operational costs	4.4	3.5
Samples	3.3	2.4
Insurance costs	3.2	3.6
Leasing fees	1.6	1.5
Goods deliveries	1.4	4.5
Wage costs	0.9	0.9
Bank charges	0.1	0.0
Total	**85.3**	**76.5**

Note 20 - Net debt

Net debt

SEK million	2018	2017
Liquid assets	-312.2	-202.4
Long-term interest-bearing liabilities	1 795.5	1 757.5
Short-term interest-bearing liabilities	347.7	82.2
Total	**1 831.0**	**1 637.3**
Effective interest rate	2.4%	3.1%

Change in interest-bearing liabilities

SEK million	2018	2017
Liability at the beginning of the year	1 839.7	1 967.8
Currency effect	101.5	-111.4
Borrowing	152.1	0.0
Borrowing through business combinations	50.0	0.0
Amortization	0.0	-16.7
Liability at year-end	**2 143.2**	**1 839.7**

Note 21 - Net assets in foreign currencies

The table shows currency exposed equity distributed by each currency before Group adjustments.

SEK million Net assets	2018	2017
Euro, EUR	848.3	742.7
Canadian dollar, CAD	175.3	116.2
Swiss franc, CHF	151.8	96.4
US dollar, USD	1 364.0	621.2
Norwegian krone, NOK	63.6	45.6
Danish krone, DKK	64.9	84.9
Chinese yuan, CNY	43.5	54.4
Polish zloty, PLN	25.3	22.1
Hong Kong dollar, HKD	67.6	26.0
British pound, GBP	54.3	56.7
Total net assets in foreign currencies	**2 858.5**	**1 866.2**

Note 22 - Credit limit

Interest-bearing liabilities consist of loans and bank overdraft facilities. Amount granted in relation to these liabilities amountsto SEK **2,765** million (SEK **2,539** million).

Note 23 - Pledged assets

SEK million	2018	2017
Floating charges	537.5	543.5
Property mortgages	171.8	183.2
Net assets in Group companies	3 158.1	2 152.0
Stock and accounts receivable	521.0	465.9
Total	**4 388.5**	**3 344.7**

The Group's pledged assets consists of collateral for the Group's interest-bearing liabilities to credit institutions which amounted to SEK **2,143.2** million (SEK **1,839.7** million) at year end.

Security for the main financing agreement is made up of floating charges, property mortgages, and net assets in Group companies. Trademarks have been specifically pledged and are included in the net assets of the Group companies. Parts of the Group's stock and accounts receivable constitute security for Group companies' local funding. See further Note **17**, section Liquidity risk, for maturity analysis and information regarding the conditions for the Group's financing.

Note 24 - Other provisions

SEK million Other provisions	2018	2017
Other provisions at the beginning of the year	2.0	6.0
Reveresed during the year	0.0	-3.6
Provisions during the year	1.0	0.0
Translation difference	0.1	-0.4
Other provisions at year-end	**3.1**	**2.0**

Note 25 - Other current liabilities

SEK million	2018	2017
VAT	82.3	62.3
Personal income tax	16.2	14.6
Advances from customers	10.5	4.6
Other wage deductions	0.9	0.7
Social security contributions	5.2	5.1
Liabilities to employees	11.6	7.1
Liabilities to customers	4.5	0.6
Currency futures	0.1	0.0
Earn out	1.1	1.3
Purchase price not paid	14.0	-
Giftcards not redeemed	1.4	0.9
Other items	24.3	11.5
Total	**172.3**	**108.7**

Note 26 - Accrued expenses and prepaid income

SEK million	2018	2017
Salaries and payroll fees	140.3	127.2
Commission	57.9	58.4
Marketing costs	23.4	9.6
Royalties	10.5	6.8
Delivery of goods	50.0	13.3
Audit fees	4.8	5.2
Electricity and rental costs	6.5	2.4
Interest	1.0	1.2
Consultancy fees	3.0	0.7
Claims	1.3	1.1
Prepaid income	1.6	0.8
Other items	15.1	10.4
Total	**315.4**	**237.1**

Note 27 - Contingent liabilities

SEK million	2018	2017
Duty guarantees	10.0	16.3
Rent guarantees	189.1	104.8
PRI	2.0	2.0
Other guarantees	0.4	1.9
Guarantees for associated companies	6.0	6.0
Total	**207.5**	**131.0**

Note 28 - Adjustment for items not included in cash flow

SEK million	2018	2017
Depreciation and write-downs of tangible and intangible fixed assets	77.9	65.3
Depreciation as a part of production costs/goods for resale	12.9	11.4
Profit from business combinations *	-8.4	0.0
Other items	-8.0	-0.3
Total	**74.4**	**76.4**

*Profit from acquisition of remaining shares in previous associated company Vist Fastighets AB.

Note 29 - Classification of equity

Share capital

Share capital includes the registered share capital for the Parent company. Share capital consists of **19,707,680** class A shares (quoted value SEK **3.00**) and **46,635,863** class B shares (quoted value SEK **3.00**).

Other capital contributions

Other capital contributions include the total transactions that New Wave Group AB has had with the shareholders. Transactions that have taken place are premium share issues. The amount that is included in other capital contributions is therefore fully equivalent to capital received in addition to the nominal amount from the share issue.

Reserves

Reserves consist of translation differences in foreign subsidiaries and fair value changes regarding financial instruments which are a part of cash flow hedge.

Retained earnings

Retained earnings are equivalent to the accumulated profits and losses generated by the Group in total, after the deduction of paid dividends.

Capital management

Group equity amounted to SEK **3,434.2** million (SEK **3,029.2** million) at the end of the year. New Wave Group's financial strategy is to create safe financial conditions for the Group's operations and development. The return on equity is highly significant. At the end of **2018**, the return on equity amounted to **11.2** (**12.2**) % with an equity ratio of **48.6** (**50.9**) %.

New Wave Group's dividend policy means that the dividends to the shareholders will be equivalent to **40** % of the Group's result over an economic cycle. The Board proposes to the Annual General Meeting a dividend of SEK **2.00** (**1.70**) per share, corresponding to SEK **132.7** (**112.8**) million or **37** (**32**) % of the Group's result for the year.

Income statement

1 January - 31 December

SEK million	Note	2018	2017
Net income	2	105.3	69.8
Other operating income	3	40.4	22.4
Total income		**145.6**	**92.2**
Operating costs	2, 6, 11		
External costs	4, 5	-77.1	-65.2
Personnel costs	10, 11	-35.7	-29.3
Depreciation of tangible and intangible fixed assets		-6.4	-5.2
Other operating costs		-32.6	-19.2
Operating result		**-6.2**	**-26.7**
Result from shares in Group companies		131.4	387.2
Changes in write-downs of financial fixed assets		9.9	-76.5
Financial income		49.4	66.5
Financial expenses		-33.5	-51.7
Net financial items	7	**157.3**	**325.6**
Result before appropriations and tax		**151.1**	**298.9**
Appropriations	8	56.9	61.0
Tax expense	9	-14.6	-9.9
Result for the year		**193.3**	**350.0**

Total comprehensive income for the year corresponds with result for the year

Cash flow statement

1 January - 31 December

SEK million	2018	2017
Operating activities		
Operating result	-6.2	-26.7
Adjustment for items not included in cash flow	6.4	5.2
Received dividends	0.0	42.7
Received interest	49.4	66.5
Paid interest	-33.5	-51.7
Paid income tax	-16.0	-5.8
Cash flow from operating activities before changes in working capital	**0.2**	**30.2**
Changes in working capital		
Increase/decrease in current receivables	-197.7	298.7
Increase/decrease on current liabilities	271.8	-116.2
Cash flow from changes in working capital	**74.1**	**182.5**
Cash flow from operating activities	**74.3**	**212.8**
Investing activities		
Shareholders contribution to Group companies	-39.5	-56.4
Repayment of shareholders contribution from Group companies	9.4	0.0
Shareholders contribution to associated companies	-2.0	0.0
Investments in tangible fixed assets	-0.5	-0.7
Investments in intangible fixed assets	-1.8	-6.4
Long term loan given to Group companies	-50.1	0.0
Raised long-term receivables	-2.0	0.0
Cash-flow from investing activities	**-86.6**	**-63.5**
Cash-flow after investing activities	**-12.3**	**149.3**
Financial activities		
Loan raised	128.3	0.0
Amortization of loan	0.0	-62.9
Dividend paid to shareholders of the Parent company	-112.8	-89.6
Cash-flow from financial activities	**15.5**	**-152.5**
Cash flow for the year	**3.2**	**-3.2**
Liquid assets at the beginning of the year	1.3	4.5
Liquid assets at year-end	**4.5**	**1.3**
Liquid assets		
Cash at bank and in hand	4.5	1.3

Balance sheet

As of 31 December

SEK million	Note	2018	2017
ASSETS			
Intangible fixed assets	10	11.0	14.2
Tangible fixed assets	11	3.3	4.1
Shares in Group companies	12	2 324.6	1 517.7
Shares in associated companies	13	43.0	54.5
Receivables on Group companies		370.4	903.2
Other long-term receivables		4.5	2.4
Total fixed assets		**2 756.8**	**2 496.1**
Receivables on Group companies		1 563.7	1 283.2
Current tax receivables		4.0	0.0
Other receivables		29.7	25.2
Prepaid expenses and accrued income	14	9.5	7.6
Liquid assets		4.5	1.3
Total current assets		**1 611.3**	**1 317.3**
TOTAL ASSETS		**4 368.1**	**3 813.5**

SEK million	Note	2018	2017
EQUITY			
Share capital	15	199.1	199.1
Restricted reserves		249.4	249.4
Total restricted equity		**448.5**	**448.5**
Retained earnings		1 234.5	997.3
Share premium reserve		48.0	48.0
Result for the year		193.3	350.0
Total unrestricted equity		**1 475.8**	**1 395.3**
Total equity		**1 924.3**	**1 843.8**
Untaxed reserves	16	**47.9**	**25.4**
LIABILITIES			
Long-term interest-bearing liabilities	17, 19	1 429.3	1 506.5
Total non-current liabilities		**1 429.3**	**1 506.5**
Short-term interest-bearing liabilities	17, 19	300.5	61.3
Accounts payable		366.5	217.1
Liabilities to Group companies		268.5	146.1
Current tax liability		8.3	5.7
Other liabilities		16.2	1.1
Accrued expenses and prepaid income	18	6.5	6.4
Total current liabilities		**966.6**	**437.8**
Total liabilities		**2 395.9**	**1 944.3**
TOTAL EQUITY AND LIABILITIES		**4 368.1**	**3 813.5**

Changes in equity

1 January - 31 December

SEK million	Share capital	Restricted reserves	Retained earnings	Share premium reserve	Result for the year	Total equity
Opening balance 2017-01-01	**199.1**	**249.4**	**651.8**	**48.0**	**435.1**	**1 583.4**
Transfer according to decision at AGM			435.1		-435.1	0.0
Result for the year					350.0	350.0
Total changes, excluding transactions with shareholders	**0.0**	**0.0**	**0.0**	**0.0**	**350.0**	**350.0**
Dividends			-89.6			-89.6
Closing balance 2017-12-31	**199.1**	**249.4**	**997.3**	**48.0**	**350.0**	**1 843.8**

SEK million	Share capital	Restricted reserves	Retained earnings	Share premium reserve	Result for the year	Total equity
Opening balance 2018-01-01	**199.1**	**249.4**	**997.3**	**48.0**	**350.0**	**1 843.8**
Transfer according to decision at AGM			350.0		-350.0	0.0
Result for the year					193.3	193.3
Total changes, excluding transactions with shareholders	**0.0**	**0.0**	**0.0**	**0.0**	**193.3**	**193.3**
Dividends			-112.8			-112.8
Closing balance 2018-12-31	**199.1**	**249.4**	**1 234.5**	**48.0**	**193.3**	**1 924.3**

Note 1 - Accounting policies for the Parent company

The Swedish Financial Reporting Board's Recommendation **2** – Accounting for Legal Entities (RFR **2**) and the Swedish Annual Accounts Act have been applied when preparing the Parent company's annual accounts. In accordance with RFR **2**, the Parent company shall prepare its reports in accordance with the IASB's International Financial Reporting Standards (IFRS) adopted by the EU, to the extent that these are not contrary to the Swedish Annual Accounts Act. The accounting policies have been applied consistently for all periods, unless otherwise stated.

In Sweden, group contributions are tax deductable or taxable, unlike shareholder contributions. Group contributions are reported so that they mainly reflect the transaction's financial consequence. Group contributions, which have the same aim as the shareholder contribution, are added to the acquisition value of shares in Group companies with a reservation for impairment testing. Group contributions, received and provided, and their associated tax effect are recognized in the income statement.

The deferred tax liability on untaxed reserves is reported under untaxed reserves in the Parent company's annual accounts due to the connection between accounting and taxation.

Shares in Group and associated companies are recognised at cost and subject to impairment testing each year, by comparing discounted expected future cash-flows with book value of the shares in each company.

New assessments of accounting policies

IFRS **9** Financial instruments and IFRS **15** Revenue from contracts with customers came into effect as from **1** January **2018**. Implementation of IFRS **9** and IFRS **15** did not have any material effects on the financial statements of the Parent company. As from January **1 2019**, IFRS **16** Leases is applied in the group accounting. However, the Parent company has chosen to apply the exemption rules in The Swedish Financial Reporting Board's Recommendation **2**, which imply that all lease agreements will continue to be recorded as operational leases.

Note 2 - Related parties

Sales

Of the Parent company's invoiced sales, SEK **104.8** million (SEK **69.3** million) equivalent to **99.5** % (**99.3** %) were sales to Group companies. All transactions are carried out under market conditions.

Transactions with related persons

The Parent company did not have any transactions with related persons during **2018**.

Note 3 - Other operating income

SEK million	2018	2017
Foreign exchange gains	37.7	20.9
Other contributions and payments	2.7	1.5
Total	**40.4**	**22.4**

Note 4 - Average number of employees

	2018 Number of employees	Of which men	2017 Number of employees	Of which men
Gothenburg	37	24	35	23
Total	**37**	**24**	**35**	**23**

Note 5 - Salaries, other remuneration and social security contributions

SEK million	2018 Salaries and other remuneration	Social security contributions	Of which pension costs	2017 Salaries and other remuneration	Social security contributions	Of which pension costs
	22.0	11.8	3.9	17.8	9.1	2.8

Of the Parent company's pension costs SEK 0.4 million (SEK 0.4 million) concerns the Board and the CEO.

Salaries and other remuneration divided between Board members, CEO and other employees

SEK million	2018 Board and CEO	Of which bonus	Other employees	2017 Board and CEO	Of which bonus	Other employees
	1.9	0.0	20.1	2.0	0.0	15.8

Board members' fees	2018	2017
External members of the Parent company's Board	1.0	1.1
Of which to the Chairman of the Board	0.3	0.3

Remuneration committee for the Parent company has not been elected. The fees paid to the Chairman of the Board and the Board of Directors are in accordance with the decision of the Annual General Meeting.

Conditions of employment for the CEO

Remuneration to the CEO comprises a fixed salary from New Wave Group AB. No board member's fees or other remuneration such as bonuses are paid to the CEO. As pension insurance for the CEO, a market-adjusted defined contribution plan is in place. A mutual notice period of six months applies for the CEO and no severence pay is awarded.

Conditions of employment for other senior executives

Other senior executives refers to the three persons employed by the Parent company whom together with the CEO is a part of the Group management. For the structure of the Group management, see page **54** of this report. Renumeration to the other senior executives comprises a fixed salary and in one case bonus based on development in terms of inventory turnover, operating margin and turnover for applicable segment.

No board member fees are paid when senior executives take part of Group companies' boards. Market-adjusted defined contribution pension plan exist for the other senior executives. A mutual notice period of between three to six months exists for the other senior executives and no severence pay is awarded.

Decision-making process

There is no specially appointed renumeration committee to deal with wages, pension benefits, incentives and other employment-related conditions for the CEO and the Group's other senior executives; these matters are dealt with by the Board as a whole. The salaries of the senior executives are decided by the CEO after consultation with the Chairman of the Board. The board members' fees are decided by the Annual General Meeting.

SEK million	2018 Salaries and other remuneration	Of which bonus	Pension costs	2017 Salaries and other remuneration	Of which bonus	Pension costs
Torsten Jansson, CEO	0.9	0.0	0.4	0.9	0.0	0.4
Olof Persson, Chairman of the Board	0.3	0.0	0.0	0.3	0.0	0.0
Christina Bellander, Board Member	0.2	0.0	0.0	0.2	0.0	0.0
Elisabeth Dahlin, resigning Board Member 2018	0.1	0.0	0.0	0.2	0.0	0.0
Mats Årjes, Board Member	0.2	0.0	0.0	0.2	0.0	0.0
M Johan Widerberg, Board Member	0.2	0.0	0.0	0.2	0.0	0.0
Other senior executives *	4.1	0.0	1.6	4.1	0.0	1.4
Total	**6.0**	**0.0**	**2.0**	**6.1**	**0.0**	**1.8**

* See page 54.

Warrants

The Parent company has no outstanding warrants.

Pension obligations

For white-collar employees in Sweden the ITP **2**-plan's defined benefit pension obligations for retirement- and family pensions (or family pension) are secured through insurance in Alecta. According to a statement from the Swedish Financial Reporting Board, UFR **10** Accounting for pension plan ITP **2** financed by insurance in Alecta, this is a defined benefit plan that covers several employers. For financial year **2018** the company has not had access to information in order to account for its proportionate share of the plan's obligations, plan assets and costs which meant that the plan has not been possible to account for as a defined benefit plan. The pension plan ITP **2** secured through insurance with Alecta is therefore recognized as a defined contribution plan. The premium for the defined benefit retirement and family pension is individually calculated and is dependent on factors including salary, previously earned pension and expected remaining period of service. Expected premiums for **2019** amount to SEK **2.3** million (SEK **2.2** million).

The collective funding level is the market value of Alecta's assets in percent of the commitments calculated in accordance with Alecta´s calculation assumptions for insurance purposes, which do not comply with IAS**19**. The collective consolidation level is normally allowed to vary between **125** and **155** %. If Alecta's consolidation level fall below **125** percent or exceed **155** % measures should be taken in order to create conditions to reestablish the consolidation level to the normal range. At low consolidation, a measure can be to raise the agreed price for new agreements. At high consolidation, a measure can be to introduce premium reductions. Alecta's collective funding ratio at the end of the year was **142** % (**154** %).

Note 6 - Remuneration to auditors

SEK million	2018	2017
Audit assignment		
Ernst & Young	0.9	1.0
Audit work outside audit assignment	0.1	0.0
Tax consultancy	0.6	0.8
Total	**1.6**	**1.8**

Note 7 - Financial income and expenses

SEK million	2018	2017
Write-down of financial fixed assets	-6.0	-79.1
Reversal write-down of financial fixed assets	15.9	2.7
Dividends from Group companies	131.5	387.2
Financial income, Group companies	24.6	44.6
Financial income, other	24.8	21.9
Financial expenses, Group companies	-1.3	-3.5
Financial expenses, other	-32.3	-48.2
Total	**157.3**	**325.6**

Note 8 - Appropriations

SEK million	2018	2017
Group contributions received	110.0	112.2
Group contributions provided	-30.6	-32.5
Accelerated depreciation	-0.3	-1.8
Change in tax allocation reserve	-22.2	-16.8
Total	**56.9**	**61.0**

Note 9 - Tax expense

SEK million	2018		2017	
Current tax	-14.6		-11.1	
Tax attributable to previous years	0.0		1.2	
Total	**-14.6**		**-9.9**	
Reconciliation of actual tax				
Result before tax	208.0		359.9	
Tax expense according to local tax rate	-45.8	-22.0%	-79.2	-22.0%
Tax effects from:				
Non-taxable income	32.5	15.6%	85.2	23.7%
Non-deductible expenses	-1.6	-0.8%	-17.0	-4.7%
Tax attributable to previous years	0.0	0.0%	1.2	0.3%
Other	0.2	0.1%	-0.1	0.0%
Tax according to income statement	**-14.6**	**-7.0%**	**-9.9**	**-2.7%**

Note 10 - Intangible fixed assets

	Trademarks		Computer software	
SEK million	**2018**	**2017**	**2018**	**2017**
Accumulated acquisition values				
Opening accumulated acquisition values	7.0	6.9	42.7	36.4
Acquisitions	0.0	0.1	1.8	6.3
Closing accumulated acquisition values	**7.0**	**7.0**	**44.5**	**42.7**
Accumulated depreciation				
Opening accumulated depreciation	-6.9	-6.9	-28.6	-24.7
Depreciation during the year	0.0	0.0	-5.1	-3.9
Closing accumulated depreciation	**-6.9**	**-6.9**	**-33.7**	**-28.6**
Closing book value	**0.1**	**0.1**	**10.9**	**14.2**

Note 11 - Tangible fixed assets

	Equipment, tools and installations	
SEK million	**2018**	**2017**
Accumulated acquisition values		
Opening acquisition values	17.4	16.8
Acquisitions	0.5	0.7
Closing accumulated acquisition values	**17.9**	**17.5**
Accumulated depreciation		
Opening depreciation	-13.3	-12.0
Depreciation during the year	-1.3	-1.3
Closing accumulated depreciation	**-14.6**	**-13.3**
Closing book value	**3.3**	**4.1**

Leasing fees for operational leasing

The Parent company has operational lease agreements, primarily related to rental of premises and leasing of cars. The future minimum commitment for these agreements can be seen in the following summary:

SEK million	2018
2019	4.2
2020	2.4
2021	1.6
2022	1.2
2023 incl. fees through contract period end	4.9
Operational leasing costs for the year	4.0

SEK million	2017
2018	3.2
2019	3.3
2020	1.7
2021	1.1
2022 incl. fees through contract period end	5.4
Operational leasing costs for the year	3.0

Note 12 - Shares in Group companies

	Share of capital, %	Share of votes, %	Number of shares	Book value, TSEK
Craft of Scandinavia AB	100	100	50 000	64 000
Dahetra A/S [1]	100	100	1 000	28 850
DJ Frantextil AB	100	100	30 000	25 057
EBAS Group BV [2]	100	100	5 100	27 010
8016267 Canada Inc	100	100	10 000	18 886
GC Sportswear OY	100	100	8 000	7 411
Intraco Holding BV [3]	64	64	49 804	33 362
Jobman Workwear AB	100	100	10 000	67 887
Kosta Boda Art Hotel AB	100	100	10 000	0
Kosta Förlag AB	100	100	500	2 636
New Wave Asia Ltd	100	100	1	9
New Wave Austria GmbH	100	100	-	30 418
New Wave Danmark A/S	100	100	2	1 180
New Wave France SAS	100	100	100	5 000
New Wave Group International Trading Ltd	100	100	-	0
New Wave Group SA [4]	100	100	100	536
New Wave Holland BV [5]	100	100	13 616	104 351
New Wave Italia S.r.l	100	100	500 000	6 670
New Wave Mode AB	100	100	100 000	111 010
New Wave Profile Professional AB	100	100	1 000	100
New Wave Norway A/S [6]	100	100	9 000	1 022
New Wave Sportswear S.A.	100	100	1 000	2 415
New Wave Trading Shanghai Ltd	100	100	-	0
New Wave USA Inc [7]	100	100	-	1 068 457
Orrefors Event AB	100	100	100	2 100
Orrefors Kosta Boda AB [8]	100	100	100 000	56 031
OY Trexet Finland AB	100	100	600	1 412
New Wave Group Canadian Distribution Inc [9]	100	100	1 000	149 188
Paris Glove of Canada Ltd	27	27	2 903 481	18 842
Pax Scandinavia AB	100	100	2 400	9 065
Projob Workwear AB	100	100	1 015 684	11 812
Sagaform AB [10]	100	100	5 611 223	53 012
Seger Europe AB	100	100	10 000	22 000
Termo Original Sweden AB	75	75	7 500	7 500
Texet AB	100	100	58 500	85 928
Texet Benelux BV	89	89	8 458 627	144 539
Texet France SAS	96	96	47 798	0
Texet Poland Sp z o.o.	100	100	15 459	9 771
Textilgrossisten Hefa AB [11]	100	100	18 985	61 996
Textilgrossisten i Stenungsund AB	100	100	5 000	0
Tg-H Benelux NV	99	99	100	2 657
United Brands of Scandinavia Ltd	100	100	200	54 973
Vist Fastighets AB	100	100	140 250	27 500
Total				**2 324 593**

[1] Dahetra A/S owns Hurricane Purchases A/S.
[2] EBAS Group BV owns 11% of Texet Benelux NV, 4 % of Texet France SAS and 100 % of Texet Harvest Spain SL.
[3] Intraco Holding owns Intraco Hong Kong Ltd, Intraco International Ltd, Intraco Electronics Ltd, Intraco Trading BV, Intraco Deutschland GmbH and 78 % of DeskTop Ideas Ltd.
[4] New Wave Group SA owns New Wave Far East Ltd, Multi Sourcing Asia Ltd, New Trading Shanghai Ltd and New Wave Group India Buying Private Ltd.
[5] New Wave Holland BV owns Toppoint BV, Toppoint Deutschland GmbH, Newpoint Sp z o.o.,Toppoint Polska Sp z o.o.,GS Plastics GmbH, New Wave Sportswear BV and X-Tend BV.
[6] New Wave Norway A/S owns Safetyhouse A/S.
[7] New Wave USA Inc owns Auclair Sports Inc, Gloves International Inc as well as Cutter & Buck Inc which in turn owns Cutter & Buck Direct LLC, and Orrefors Kosta Boda LLC, which in turn owns Sagaform Inc, Ahead LLC and Craft Sportswear NA, LLC.
[8] Orrefors Kosta Boda AB owns Kosta Glasproduktion AB, Glasma AB, Kosta Lodge AB, Kosta Food & Beverage AB, Kosta Outdoor AB, Kosta Fashion AB, Lågprisvaruhuset Kosta AB, Smålandsriket Fastigheter AB, Kosta Taxi & Limousine AB and Orrefors Kosta Boda A/S.
[9] New Wave Group Canadian Distribution Inc owns Craft Sports Inc as well as 73 % of Paris Glove of Canada Ltd, which in turn owns Laurentide Gloves Ltd.
[10] Sagaform AB owns Sagaform A/S and Sagaform GmbH (Germany).
[11] Textilgrossisten Hefa AB owns Texet GmbH which in turn owns New Wave GmbH.

Information regarding corporate registration numbers and domiciles for the Group companies:

	Company registration number	Domicile
Ahead Inc	45-2433808	New Bedford, USA
Auclair Sports Inc	074981	Burlington, USA
Craft of Scandinavia AB	556529-1845	Borås, Sweden
Craft Sports Inc	1173172041	Montreal, Canada
Craft Sportswear NA, LLC	1111205	Beverly, USA
Cutter & Buck Inc	601222729	Seattle, USA
Dahetra A/S	37764728	Skanderborg, Denmark
Desk Top Ideas Ltd	3735458	Oxfordshire, England
DJ Frantextil AB	556190-4086	Borås, Sweden
EBAS Group BV	17078626	Mijdrecht, The Netherlands
GC Sportswear OY	1772317-6	Esbo, Finland
Glasma AB	556085-8671	Emmaboda, Sweden
Gloves International Inc	1998272	Mayfield, USA
GS Plastics GmbH	1772317-6	Gosheim, Germany
Hurricane Purchase A/S	16503770	Skanderborg, Denmark
Intraco Holding BV	34228913	Wormerveer, The Netherlands
Intraco Hong Kong Ltd	33959038-000-10-03-3	Hong Kong
Intraco International Ltd	35134648-000-11-04-7	Hong Kong
Intraco Electronics Ltd	91440300793882727K	Shenzhen, China
Intraco Trading BV	35027019	Wormerveer, The Netherlands
Intraco Deutschland GmbH	HRB207207	Nordhorn, Germany
Jobman Workwear AB	556218-1783	Stockholm, Sweden
Kosta Boda Art Hotel AB	556697-8804	Lessebo, Sweden
Kosta Fashion AB	559043-9799	Lessebo, Sweden
Kosta Food & Beverage AB	559043-4832	Lessebo, Sweden
Kosta Förlag AB	556700-7140	Lessebo, Sweden
Kosta Glasproduktion AB	559099-9404	Lessebo, Sweden
Kosta Lodge AB	559043-4857	Lessebo, Sweden
Kosta Outdoor AB	559043-4881	Lessebo, Sweden
Smålandsriket Fastigheter AB	559140-4107	Lessebo, Sweden
Kosta Taxi & Limousine AB	559086-2289	Lessebo, Sweden
Laurentide Gloves Ltd	1142613307	Montreal, Canada
Lensen Toppoint BV	5055988	Bergentheim, The Netherlands
Lågprisvaruhuset i Kosta AB	556063-8883	Lessebo, Sweden
Multi Sourcing Asia Ltd	1859015	Hong Kong
New Wave Asia Ltd	1213487	Hong Kong
New Wave Austria GmbH	FN272531g	Erl, Austria
New Wave Danmark A/S	19950700	Copenhagen, Denmark
New Wave Far East Ltd	551901	Hong Kong
New Wave France SAS	430 060 624	Dardilly, France
New Wave GmbH	HRB10847	Oberaudorf, Germany
New Wave Group Canadian Distribution Inc	1167232215	Montreal, Canada

	Company registration number	Domicile
New Wave Group International Trading Ltd	74959455X	Shanghai, China
New Wave Group SA	CHE-105.558.787	Cortaillod, Switzerland
New Wave Holland BV	5061847	Hardenberg, The Netherlands
New Wave Italia S.r.l	01057640193	Codogno, Italy
New Wave Mode AB	556312-5771	Munkedal, Sweden
New Wave Norway A/S	946506370	Sarpsborg, Norway
New Wave Profile Professionals AB	556765-0782	Gothenburg, Sweden
New Wave Sportswear BV	30159098	Mijdrecht, The Netherlands
New Wave Sportswear S.A.	A61326377	Barcelona, Spain
New Wave Trading Shanghai Ltd	310000400561917	Shanghai, China
New Wave USA Inc	26-28441698	Seattle, USA
Newpoint Sp z o.o.	270348	Zielona Góra, Poland
Orrefors Event AB	556699-2565	Lessebo, Sweden
Orrefors Kosta Boda AB	556519-1300	Lessebo, Sweden
Orrefors Kosta Boda A/S	946 506 370	Sarpsborg, Norway
Orrefors Kosta Boda LLC	691467	West Berlin, USA
OY Trexet Finland AB	0874124-1	Esbo, Finland
Paris Glove of Canada Ltd	1142613711	Montreal, Canada
Pax Scandinavia AB	556253-8685	Örebro, Sweden
Projob Workwear AB	556560-7180	Borås, Sweden
Safetyhouse A/S	911 689 693	Grålum, Norway
Sagaform AB	556402-4064	Borås, Sweden
Sagaform A/S	919943033	Skien, Norway
Sagaform GmbH	47619	Oberaudorf, Germany
Sagaform Inc	01000955169	West Berlin, USA
Seger Europe AB	556244-8901	Ulricehamn, Sweden
Termo Original Sweden AB	559022-9497	Mark, Sweden
Texet AB	556354-3015	Stockholm, Sweden
Texet Benelux NV	0874124-1	Aarschot, Belgium
Texet France SAS	572175669	Naterre Cedex, France
Texet GmbH	HRB22648	Oberaudorf, Germany
Texet Harvest Spain SL	A 78480696	Madrid, Spain
Texet Poland Sp z o.o.	0000281382	Poznan, Poland
Textilgrossisten Hefa AB	556485-2126	Gothenburg, Sweden
Textilgrossisten i Stenungsund AB	556435-2846	Stenungsund, Sweden
Tg-H Benelux NV	0704.662.537	Aarschot, Belgium
Toppoint Deutschland GmbH	HRB1986	Nordhorn, Germany
Toppoint Polska Sp z o.o.	220828	Zielona Góra, Poland
United Brands of Scandinavia Ltd	05480650	Hirwaun, South Wales
Vist Fastighets AB	556741-1672	Ulricehamn, Sweden
X-Tend BV	0874.899.418	Zwolle, The Netherlands
8016267 Canada Inc	1170809173	Montreal, Canada

Note 13 - Shares in associated companies

SEK million	2018	2017
Dingle Industrilokaler AB	8.3	8.3
Glasrikets skatter ekonomisk förening	1.0	1.0
Kosta Köpmanshus AB	29.4	29.4
Vist Fastighets AB *	0.0	13.5
Jobman Workwear GmbH	4.3	2.3
Total	**43.0**	**54.5**

* As from 1 December 2018, Vist Fastighets AB is a fully owned subsidiary to New Wave Group AB.

			Share of capital, %	Share of votes, %	Number of shares	2018 (SEK million) Equity	Result
Dingle Industrilokaler AB	556594-6570	Munkedal	49	49	83 055	14.8	0.0
Glasrikets skatter ekonomisk förening	769620-1701	Lessebo	10	10	100	12.6	0.0
Kosta Köpmanshus AB	556691-7042	Lessebo	49	49	7 350	64.1	0.0
Jobman Workwear GmbH	HRB758048	Freiberg	49	49	2	2.1	1.9

Note 14 - Prepaid expenses and accrued income

SEK million	2018	2017
Prepaid rents	1.0	0.8
Prepaid marketing expenses	2.8	2.4
Prepaid license costs	4.4	3.4
Other items	1.3	1.0
Total	**9.5**	**7.6**

Note 15 - Equity

Division of share capital

The Parent company's share capital consisted of the following number of shares as of 31 December 2018 with a quota value of SEK 3.0 per share.

Share class		Number of shares	Number of votes	Share of capital, %	Share of votes, %
A	10 votes	19 707 680	197 076 800	29.7	80.9
B	1 vote	46 635 863	46 635 863	70.3	19.1
Total		**66 343 543**	**243 712 663**	**100.0**	**100.0**

Note 16 - Untaxed reserves

SEK million	2018	2017
Accelerated depreciation	5.4	5.1
Tax allocation reserve 2016	3.5	3.5
Tax allocation reserve 2017	16.5	16.8
Tax allocation reserve 2018	22.4	-
Total	**47.9**	**25.4**

Deferred tax on untaxed reserves amounts to SEK 10.5 million (SEK 5.6 million).

Note 17 - Credit limit

Amount granted in relation to loans and bank overdraft facilities amounts to SEK **2,765** (**2,289**) million.

The Parent company signed a new funding agreement as of **11** April **2018**. The total credit facility amounted to SEK **2,765** million as of **31** December **2018**. The credit facility amount is limited to, and dependent on, the value of some underlying assets.

Within this credit framework, some subsidiaries can also raise their own financing and at that time the Parent company had the opportunity to utilize SEK **2,406** (**2,271**) million. Of this amount, USD **30** million runs until January **2024** and SEK **250** million has a maturity of three months. The remaining part runs until March **2022**.

Note 18 - Accrued expenses and prepaid income

SEK million	2018	2017
Accrued salaries	0.0	0.2
Holiday pay liability	3.2	2.6
Social security contributions	0.5	0.5
Special employer's contribution	1.6	1.1
Board members' fees	0.0	0.1
Audit	0.3	0.2
Interest	0.3	1.0
Marketing costs	0.0	0.7
Other items	0.6	0.0
Total	**6.5**	**6.4**

Note 19 - Pledged assets and maturity for interest-bearing liabilities

Pledged assets relates to interest-bearing libilities to credit institutions.

SEK million	2018	2017
Floating charges	30.0	30.0
Shares in Group companies	1 771.4	1 152.3
Shares in associated companies	8.3	8.3
Total	**1 809.7**	**1 190.6**

The Parent company's pledged assets consists of collateral for the company's interest bearing liabilities to credit institutions which amounted to SEK **1,729.8** million (SEK **1,567.8** million) at year end. See further Note **17**, section Liquidity risk, for information regarding the conditions for the Group's financing which also applies to the Parent company. See below for the maturity analysis of the Parent company's interest-bearing liabilities.

Maturity analysis of the Parent company's loans	2018	2017
2018	0.0	103.0
2019	331.3	1 400.0
2020	78.6	53.2
2021	76.0	51.5
2022	1 288.2	49.9
2023	53.8	48.3
2024	13.3	12.0

The table above displays the contractual and undiscounted interest payments and amortization of interest-bearing liabilities. Any planned future liabilities have not been included. Interest payments related to financial instruments with floating rate has been calculated based on the interest rate at year end.

Note 20 - Contingent liabilities

SEK million	2018	2017
Guarantees for Group companies	940.1	671.5


KOSTA
BODA
SWEDEN 1742

Definitions of alternative performance measures

Guidelines concerning non-IFRS performance measures for companies with securities listed on a regulated market in the EU have been issued by ESMA (The European Securities and Markets Authority). These guidelines are to be applied to alternative performance measures (APM) applied as of July **3**, **2016**. The Annual Report refers to a number of non-IFRS performance measures used to assist investors and company management to analyze the company's operations. Because not all companies calculate the financial measures in the same way, these are not always comparable to measures used by other companies. These financial measures should not be seen as a substitute for measures defined under IFRS. A description of the various non-IFRS performance measures used as a complement to the financial information reported according to IFRS and how they are used, is presented below.

PERFORMANCE MEASURES	DEFINITION/CALCULATION	PURPOSE
GROSS PROFIT MARGIN	Net sales less goods for resale in percent of net sales.	The measure is used for showing the Group's margins before the effect of costs such as selling and administrative costs.
OPERATING MARGIN	Operating result as a percentage of the period's net sales.	The measure is used to show operating profability and how the Group meets its targets.
PROFIT MARGIN	Result before tax as a percentage of the period's net sales.	The measure enables the profitability to be compared across locations where corporate taxes differ.
NET MARGIN	Result after tax as a percentage of the period's net sales.	The measure is used to show net earnings in relation to income.
ORGANIC GROWTH	Organic growth refers to sales growth from existing operations cleared from currency effects. The currency effect is calculated by recalculating this year's sales in local currency to last year's rates and compared to previous year's sales.	The measure is used to show growth in existing business since currency effects are beyond the Group's control and to measure how the Group meets its targets.
EBITDA	Operating result before depreciation, amortization and write-downs of tangible and intangible fixed assets.	The measure is used to show result from operating activities, regardless of depreciation, amortization and write-downs.
NET FINANCIAL ITEMS	The total of interest income, interest expenses, currency differences on borrowings and cash equivalents in foreign currencies, other financial income and other financial expenses.	The measure reflects the Group's total costs of the external financing.

RETURN MEASURES	DEFINITION/CALCULATION	PURPOSE
RETURN ON CAPITAL EMPLOYED	Result before tax plus financial expenses as a percentage of average capital employed. The average capital employed is calculated by taking the capital employed per period end and the capital employed at year-end for the previous year divided by two.	The measure is used to analyze profitability by putting result in relation to the capital needed to operate the business.
RETURN ON EQUITY	Result for the period according to the income statement as a percentage of average equity. For the Parent company it is calculated as result after tax as a percentage of average adjusted equity. In adjusted equity, 78 % of untaxed reserves are included.	The measure is used to analyze profitability over time, given the resources available to the Parent company's owners.

DATA PER SHARE	DEFINITION/CALCULATION	PURPOSE
EQUITY PER SHARE	Equity at the end of the period divided by number of shares at the end of the period.	Equity per share measures the net asset value per share and determines if a company is increasing shareholder value over time.

CAPITAL MEASURES	DEFINITION/CALCULATION	PURPOSE
EQUITY	The equity reported in the consolidated balance sheet consists of taxed equity increased by the equity portion of the Group's untaxed reserves and non-controlling interests. Deferred tax liability in untaxed reserves has been calculated at the applicable tax rates for the companies in each country, as decided and communicated at the balance sheet date.	The measure is the difference between the Group's assets and liabilities, which corresponds to the Group's equity contributed by owners and the Group's accumulated profits.
CAPITAL EMPLOYED	Total assets less provisions and non-interest bearing liabilities, which consist of accounts payable, current tax liabilities, other liabilities and accrued expenses and prepaid income.	The measure indicates how much capital is needed to run the business, regardless of type of financing (borrowed or equity).
WORKING CAPITAL	Total current assets, excluding liquid assets, less short-term non-interest bearing liabilities.	The measure is used to show how much capital is needed to finance operating activities.
NET DEBT	Interest-bearing liabilities (current and non-current) less cash and cash equivalents.	The measure shows financing from borrowings.
STOCK TURNOVER	Goods for resale in the income statement divided by average stock.	The measure is used to show the stock's turnover per year, since the stock is central for the Group to keep a good service level, i.e. to be able to deliver goods fast.
NET DEBT TO EQUITY RATIO	Net debt as a percentage of equity.	The measure helps show financial risk and is useful for management to monitor the level of the indebtedness.
NET DEBT IN RELATION TO WORKING CAPITAL	Net debt divided by working capital.	The measure is used to show how much of the working capital is financed through net debt.
INTEREST COVERAGE RATIO	Result before tax plus financial costs divided by financial costs.	The measure is used to calculate the Group's ability to pay interest costs.
EQUITY RATIO	Equity as a percentage of total assets.	The measure shows how much of the Group's assets are financed by the shareholders through equity. An equity ratio is a measure of financial strength and how the Group meets its targets.

OTHER MEASURES	DEFINITION/CALCULATION	PURPOSE
EFFECTIVE TAX RATE	Tax on profit for the period as a percentage of result before tax.	This measure enables comparison of income tax across locations where corporate taxes differ.
EFFECTIVE INTEREST RATE	Net financial items in relation to average net debt.	The measure enables comparison of cost for the net debt.
CASH FLOW FROM OPERATIONS	Cash flow from operating activities including changes in working capital and before cash flows from investing and financing activities.	The measure is used to show the cash flow generated by the company's operations.
NET INVESTMENTS	Cash flow from investing activities according to the cash flow analysis which includes investments and divestments of buildings, acquisitions, investments in tangible and intangible assets and raised long-term debt.	The measure is used to regularly estimate how much cash is used for investments in operations and for expansion.

Auditor's report

To the general meeting of the shareholders of New Wave Group AB (publ), corporate identity number 556350 - 0916

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of New Wave Group AB (publ) for the year **2018**. The annual accounts and consolidated accounts of the company are included on pages **57-121** in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent company as of December **31**, **2018** and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December **31**, **2018** and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for opinions

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

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

Key audit matters

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

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

Revenue recognition

Total revenue amounted to SEK **6,291** million in **2018**. On page **72** the company states the applied accounting principles for revenue recognition. In short they state that revenue related to the sales of goods is recognized when it is likely that payment will be received and when all risks and benefits have been transferred from seller to buyer. The revenue recogni-tion is associated with a certain element of judgement in regards to recognition of discounts for retailers, risks related to revenue reduction and the transfer of risk to the customer, which is why we have considered the revenue recognition as a key audit matter in our audit.

The audit procedures related to revenue recognition, among other things include:

- *Walkthrough of processes and procedures related to revenue recognition, verification of compliance in regards to IFRS standards.*
- *Detailed analysis of recorded revenue for different agreements based on historical results, budgets, and the follow ups where made to deviations from the expected outcome.*
- *Random inspection of contracts and the transfer of risk associated to the period close in order to verify correct revenue accruals.*
- *Review of the supporting material that judgments, calculations and accruals related to estimates of discounts and bonuses are based on.*
- *We have reviewed the transfer to IFRS 15 and assess that the revenue recognition is in accordance with IFRS 15 and that related disclosures in accordance with IFRS 15 are met.*

We have also reviewed the Company's effectiveness regarding the revenue disclosures.

Valuation of goodwill and trademarks

The reported value for goodwill and trademarks amounted to SEK 1,401 million per 31 of December 2018 according to the consolidated statement regarding financial position. That amount represents 20 percent of total assets. The Company performs checks of the reported value against the recoverable amount at an annual basis or at signs of impairment. The recoverable amount is determined for each cash generating unit by performing a present value calculation of future cash flows. The calculations are based on the decided business plan for the next five years and an estimate of cash flows at the end of the forecast period. The calculations are also based on a number of assumptions, such as growth, operating margin and discount rate.

Changes in assumptions have a material effect on the calculation of the recoverable amount. Due to this fact we have considered the valuation of goodwill and trademarks as a key audit matter in our audit.

A description of the impairment loss test is presented in Note 8 “Intangible fixed assets”.

As a part of our audit we have evaluated and tested the Company’s process for preparing impairment loss tests. The evaluation and testing has been based on a review of the accuracy of earlier forecasts and assumptions. We performed reasonability assessments of forecasted cash flows and growth assumptions by comparing them to other companies within the same industry. Furthermore we have tested the marketability of the company’s assumptions regarding the discount rate and long term growth rate with support from our valuation experts. We have also reviewed the Company’s model and method for conducting impairment loss tests, this includes an evaluation of the company’s sensitivity analysis. We have also reviewed the effectiveness of the disclosures related to valuation of goodwill and trademarks in the annual report.

Valuation of inventory

The reported value of inventory amounted to SEK 3,231 million per 31 of December 2018 according to the consolidated statement regarding financial position. That amount represents 46 percent of total assets. The inventory is valued based on the first in-first out principle at the lowest cost and net realizable value at the balance sheet date. The calculation of the net realizable value is based on the Company’s assumptions regarding slow moving and obsolete goods. Due to this fact we have considered the valuation of inventory as a key audit matter in our audit.

The Company’s disclosures regarding stock-in-trade is presented in note 16 in the annual report.

We have reviewed the Company's processes and procedures for assessing and following up on slow moving and obsolete goods. We have performed an analytical review based on historical comparisons and data analysis in order to identify slow moving and obsolete goods and assess the need to make provision. Furthermore we have also reviewed the effectiveness of the disclosures related to valuation of inventory in the annual report.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages **2-56**. The Board of Directors and the CEO are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the CEO

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

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

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

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

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

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

- *Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.*
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.*
- *Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.*
- *Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.*
- *Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.*

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of New Wave Group AB (publ) for the year **2018** and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the CEO

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

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

Auditor's responsibility

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

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

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

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

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

Ernst & Young AB, was appointed auditor of New Wave Group AB by the general meeting of the shareholders on the May **16**, **2018** and has been the company's auditor since May **28**, **2007**.

Gothenburg, April 5, 2019
Ernst & Young AB

Nina Bergman
Authorized Public Accountant

Hammarby football plays in Craft as from 2019.

The Group

in summary

SEK million					
Income statement in brief	**2018**	**2017**	**2016**	**2015**	**2014**
Net sales	6 290.6	5 597.3	5 237.1	4 964.7	4 273.6
Other operating income	74.8	51.2	51.0	47.2	27.7
Operating costs	-5 804.7	-5 114.1	-4 832.0	-4 699.6	-3 997.1
EBITDA	560.7	534.4	456.1	312.3	304.2
Depreciation and write-downs	-77.9	-65.3	-55.9	-57.1	-54.2
Operating result	482.8	469.1	400.2	255.2	250.0
Net financial items	-40.9	-51.9	-59.9	-74.3	-42.0
Result before tax	441.8	417.2	340.3	180.9	208.0
Tax	-81.8	-63.2	-63.6	-35.6	-31.1
Result for the year	**360.0**	**354.0**	**276.7**	**145.3**	**176.9**
Total comprehensive income for the year	517.6	301.5	369.9	173.3	376.1
Balance sheet in brief					
Trademarks	516.6	487.4	521.6	491.0	467.7
Other fixed assets	1 704.0	1 477.1	1 526.1	1 431.8	1 370.1
Stock	3 230.9	2 643.4	2 496.4	2 447.8	2 162.1
Accounts receivable	1 084.1	982.8	906.2	821.5	804.2
Other current assets	213.6	160.0	155.0	121.1	216.5
Liquid assets	312.2	202.4	218.9	165.5	216.0
Total assets	**7 061.4**	**5 953.1**	**5 824.2**	**5 478.7**	**5 236.6**
Equity attributable to the Parent company's shareholders	3 415.0	3 006.6	2 794.6	2 491.6	2 386.5
Equity attributable to non-controlling interest	19.2	22.6	22.6	22.0	18.6
Provisions	166.1	148.4	185.3	170.7	174.9
Interest-bearing liabilities	2 143.2	1 839.7	1 967.8	2 094.6	2 044.8
Non-interest-bearing liabilities	1 317.9	935.8	853.9	699.8	611.8
Total equity and liabilities	**7 061.4**	**5 953.1**	**5 824.2**	**5 478.7**	**5 236.6**
Cash flows					
Cash flow before changes in working capital and investments	429.7	451.0	333.4	209.8	253.9
Changes in working capital	-207.1	-243.2	115.5	-80.3	-537.1
Cash flow before investments	222.6	207.8	448.9	129.5	-284.2
Net investments	-163.2	-110.6	-89.6	-106.5	-74.3
Cash flow after investments	59.4	97.2	359.3	23.0	-358.5
Cash flow from financing activities	39.3	-106.3	-313.3	-77.3	368.3
Cash flow for the year	**98.7**	**-9.1**	**46.0**	**-54.3**	**9.8**

Key figures	2018	2017	2016	2015	2014
Gross margin, %	46.6	46.1	46.0	45.1	45.7
Operating margin, %	7.7	8.4	7.6	5.1	5.9
Profit margin, %	7.0	7.5	6.5	3.6	4.9
Net margin, %	5.7	6.3	5.3	2.9	4.1
Return on capital employed, %	9.4	9.8	8.6	5.8	6.4
Return on equity, %	11.2	12.2	10.4	6.0	7.9
Equity ratio, %	48.6	50.9	48.4	45.9	45.9
Net debt to equity ratio, %	53.3	54.1	62.1	76.8	76.0
Net debt in relation to working capital, %	57.0	57.4	64.7	71.7	71.1
Interest coverage ratio, times	10.5	8.3	6.5	3.2	5.4
Rate of stock turnover, times	1.1	1.2	1.1	1.2	1.3
Average number of employees	2 605	2 495	2 396	2 358	2 212
Sales outside Sweden, %	75.7	76.5	76.4	76.9	75.1
Data per share					
Number of shares before and after dilution *	66 343 543	66 343 543	66 343 543	66 343 543	66 343 543
Profit per share before and after dilution, SEK	5.48	5.34	4.16	2.16	2.66
Equity per share before and after dilution, SEK	51.76	45.66	42.46	37.89	36.25
Share price at 31 December, SEK	47.40	54.50	55.25	34.50	38.30
P/E ratio as of 31 December	8.70	10.20	13.30	15.75	14.37
Dividends per share, SEK	1.70	1.35	1.00	1.00	1.00
Dividends yield, %	3.59	2.48	1.81	2.90	2.61
Operating cash flow per share, SEK	3.36	3.13	6.77	1.95	-4.28

* The number of shares are the same before and after dilution.

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17 May 2019

Annual General Meeting

17 May

At Kosta Boda Art Hotel

1:00 p.m.

Time for Annual General Meeting

Notification

Notification of attendance at the AGM shall be made by letter or e-mail to:
New Wave Group AB (publ)
Kungsportsavenyen 10
411 36, Gothenburg
bolagsstamma@nwg.se

The notification shall state name, personal identification number/company registration number and daytime phone number. Shareholders who wish to attend the AGM must have notified the company of this before **11 May 2019** when the notification deadline expires.

2018

The Annual General Meeting (AGM) will take place on Friday, May 17, 2019 at 1:00 p.m. at Kosta Boda Art Hotel, Stora vägen 75, 360 52 Kosta, Sweden. Shareholders have the right to attend the AGM if they are registered in the copy of the share register made on 11 May 2019 and notify the company of their intention to attend the AGM by 11 May 2019, at the latest.

If the shareholder intends to be represented by proxy, a written, dated, power of attorney shall be issued for the proxy. The power of attorney in the original should be sent to the company at the address provided above no later than on **11 May 2019**. If the power of attorney is issued by a legal entity, a certified copy of the corporate registration certificate and other authorization documents should be sent to the company. Please note that shareholders who are represented by proxy must also give notice of participation as stipulated above. A proxy form is available on the company's website ***www.nwg.se.***

Nominee registered shares

Shareholders with nominee-registered shares must register their shares in their own name with Euroclear Sweden AB to be entitled to attend the AGM . This registration must be completed by **11** May **2019** and an application shall therefore be made to the nominee in good time before this date.

Issues

The issues prescribed by law and the articles of association, the below proposals for dividends and other issues mentioned in the notice to convene the meeting will be addressed at the AGM.

Dividend payment

The Board proposes to the Annual General Meeting a dividend for **2018** of SEK **2.00** per share, corresponding to a total of SEK **132,687** thousand. The Board has proposed **21** May **2019** as the record day for the dividend. This record day assumes payment of the dividend from Euroclear Sweden AB on **24** May **2019**.

New Wave Group is a growth group that designs, acquires and develops brands and products in the corporate, sports, gifts and home furnishings sectors.

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