NCAB GROUP

At the heart of all technology...

ANNUAL REPORT 2018

… there is a printed circuit board

We are surrounded by increasingly sophisticated technology and a growing number of technical devices. Almost all of these contain a small, but essential component – a printed circuit board (PCB).

PCBs constitute the foundation of PCB-As (i.e. printed circuit board assemblies), which are found in almost all types of electronic equipment and are customised for every end-product. Superficially, they look very similar and often represent a small share of the value in a highly complex end-product. At the same time, they are critical to the functionality of the technology. This means quality is a key factor.

NCAB is a global full-service supplier that assumes an overall responsibility towards its customers – from design support, through prototyping, production and quality control to delivery – adding value at every stage.

CONTENTS

Every detail counts.

Luísa Lindstrand, Senior Quality Engineer, NCAB Group Sweden, checking a PCB for use in medtech.

A year of growth and several milestones

2018 was an eventful year for NCAB in several areas and the company performed well in terms of both sales and earnings. Growth was particularly strong in the Europe and East segments, while the Nordic segment reported sustained high profitability. An important milestone was passed in June when NCAB became a listed company on Nasdaq Stockholm and could welcome more than two thousand new shareholders.

SALES, SEK billion	SALES GROWTH	ADJUSTED EBITA, SEK million	ADJUSTED EBITA MARGIN
1.6	15%	143.8	8.9%

MARKET
NCAB noted a continuing positive economic trend for most of 2018. At the beginning of the year, a slight shortage of components was experienced in the supply chain – a balance that was levelled out during the latter part of the year. In September, the USA imposed import tariffs of 10% on goods for resale from China. NCAB has directly passed these fees on to its customers in the USA.

CEO Hans Ståhl rings the opening bell on 5 June 2018

EXPANSION
Italy, where NCAB established operations in 2017, continued to perform strongly. In August, a decision was taken to establish operations in Malaysia. In September, NCAB opened an office in Stuttgart, Germany, as a means of moving closer to customers in the south-western region of the country. In November, a decision was taken by NCAB to set up a company in the Netherlands, which will also cover the Benelux region.

ORGANISATION
The number of employees continued to rise as a result of investments, primarily in Europe, where the main focus is on expansion and consolidating the position in several prioritised markets, including the UK and Germany. NCAB gained 24 new employees during the year and had a total of 378 employees at year end.

SUSTAINABILITY
In 2018, NCAB further strengthened its sustainability work. For example, NCAB fulfilled its goal to audit all of its preferred principle manufacturers from a sustainability perspective during the year. In addition, NCAB's sustainability team in China was expanded, at the same time as several training sessions and seminars were held in sustainability, both internally and with customers. NCAB achieved record-high levels of customer satisfaction in terms of its sustainability work. The company also won the Environmental Leadership category at the Electronics Industry Awards in the UK.

IPO
25 years after its establishment, NCAB was listed on Nasdaq Stockholm on 5 June 2018. The listing price was SEK 75 and market capitalisation amounted to SEK 1.3 billion. There was substantial interest among both institutional and private investors. From the listing until 25 March 2019, the NCAB share has generated returns of 49.5%, while the OMX Stockholm PI generated a return of 1.29% during the corresponding period.

OPERATIONS

NCAB reported solid underlying growth and stable earnings, well in line with the financial targets. In 2018, NCAB increased sales by 15%, mainly due to the favourable economic climate and strong expansion in NCAB's growth markets in Europe and Asia. Profitability improved year-on-year, despite investments in more personnel, slightly adverse foreign exchange differences and increased costs resulting from the IPO.

Total net sales amounted to SEK 1,617 million compared with SEK 1,400 million in 2017. Gross margin strengthened to 31.3% (30.2). EBITA improved from SEK 70.2 million to SEK 132.2 million and the EBITA margin was 8.2% (5.0). Adjusted EBITA was SEK 143.8 million (113.7), representing an adjusted EBITA margin of 8.9% (8.1). Profit after tax amounted to SEK 104.6 million (40.4) and earnings per share was SEK 6.37 (2.42) before dilution and SEK 6.24 (2.38) after dilution.

SEGMENTS

NCAB's four segments, Nordic, Europe, North America and East, noted a largely positive performance during the year. Growth was particularly strong in the Europe and East segments, where sales grew 24% and 21%, respectively. NCAB gained market shares in these segments through many new customers, mainly in Germany, the UK, Italy and China. In parallel, new offices opened in Europe and China to support continued expansion.

In the Nordic segment, the strategy is to focus on existing customers rather than activities for new customers, which enabled the segment to improve its EBITA margin to 16.2% (12.8) in 2018. In North America, which is currently in a transitional phase from low-tech to more advanced products, sales were unchanged compared with 2017. However, NCAB noted a positive trend for the number of new customers during the year.

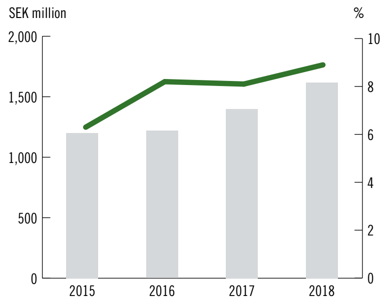
121 MILLION PCBS DELIVERED

378 EMPLOYEES

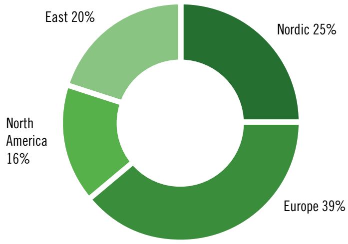
1,725 CUSTOMERS

45 MARKETS

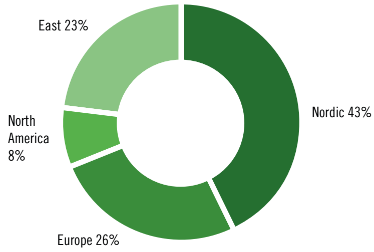
Net sales and adjusted EBITA margin



Net sales, share by segment



Adjusted EBITA, share by segment



KEY PERFORMANCE INDICATORS	2018	2017	2016	2015
Order intake, SEK million	1,664.5	1,509.2	1,280.8	1,229.3
Order intake, USD million	191.1	176.8	149.6	145.7
Net sales, SEK million	1,617.0	1,400.1	1,218.7	1,200.3
Net sales, USD million	186.0	163.8	142.3	142.3
Gross margin, %	31.3	30.2	30.4	27.5
EBITA, SEK million	132.2	70.2	100.3	76.0
EBITA margin, %	8.2	5.0	8.2	6.3
Adjusted* EBITA, SEK million	143.8	113.7	100.3	76.0
Adjusted* EBITA margin, %	8.9	8.1	8.2	6.3
Operating profit, SEK million	127.6	65.6	95.8	72.0
Profit after tax, SEK million	104.6	40.4	65.06	54.80
Earnings per share before dilution**, SEK	6.37	2.42	4.09	3.44
Earnings per share after dilution**, SEK	6.24	2.38	4.0	3.36
Cash flow from operating activities, SEK million	69.9	37.4	81.5	39.4
Return on equity, %	51.9	30.3	54	51.7
Average exchange rate, SEK/USD	8.57	8.54	8.56	8.44
Average exchange rate, SEK/EUR	10.26	9.63	9.47	9.36

* Adjusted for non-recurring items of SEK 11.6 million for the full-year 2018 and SEK 43.5 million for the full-year 2017. The adjustments refer to costs for the IPO and final settlement costs related to the agreement with the Russian tax authority.

** The Annual General Meeting on 14 March 2018 resolved to approve a 10:1 stock split. Earnings per share have been calculated retrospectively based on the total number of shares after the stock split for each period.

Proud of NCAB's first year as a listed company

At the time of writing, nine months have passed since NCAB became a listed company. It has been, and continues to be, an educational and exciting journey that has enabled NCAB to further develop its operations. In addition to the preparations – writing the prospectus, presentations, interim reports and investor meetings – we have also developed better processes, expanded the Board of Directors and created more order and structure in the company. The IPO is an important part of our 25-year history and we are now looking forward to continue doing what we love: to deliver high-quality PCBs to satisfied customers and to constantly increase our presence in the market.

PCBS – SMALL BUT IMPORTANT PART OF ALL TECHNOLOGY

Many people became aware of NCAB and printed circuit boards for the first time following its IPO. This is understandable – though we are actually surrounded by PCBs. PCBs form the basis of a PCB-A, which in turn forms the basis of almost all technical equipment. The actual PCB is a very small share of the total value of the end-product, but if the end-product suddenly stops working, it is often due to the PCB. Quality is, therefore, of utmost importance to us – and our customers. If there is a single word that I want NCAB to be associated with, this word is quality. We put a lot of effort into PCBs with a high level of technology, great complexity and that are often used in, for example, the medtech, telecom, engineering and automotive industries.

NCAB IS AN IMPORTANT PARTNER TO CUSTOMERS AND FACTORIES

NCAB does not own any factories. Instead, we act as an important link between factories – primarily in Asia – and customers – primarily in the Western world, but also in Asia – who need PCBs for their production. Viewed from outside, it may sound like a simple idea and that NCAB acts solely as an intermediary, but NCAB adds more than 30 different value-creating functions. In 2018, we confirmed our value-creating position by increasing sales, profit and gross margin.

At NCAB, we have developed and refined our model for many years to become a full-service supplier today. For our customers, we offer technology and design support from the very beginning of a project with the aim of optimising the design of the PCB. We then provide prototypes, initial sample tests as well as serial production, meaning we help the customer throughout the product's life cycle. Delivering reliability is highly important, which is why we offer various logistics solutions depending on the customer's manufacturing operations. We have demanding customers, which suits us perfectly, as it "forces" us to remain constantly on our toes and steadily improve and develop our offering. Reaching 83% in customer satisfaction is evidence that much of what we are doing is right.

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STRONG PERFORMANCE IN MOST SEGMENTS

Naturally, it is wonderful to present a solid result for the first year as a listed company. In 2018, sales grew 15% in SEK and 14% in USD. We consider the performance in USD as currency adjusted, as prices for PCBs are set in USD, which is also the currency for all purchasing. It is also pleasing to see that three of four segments achieved double-figure growth.

In the Nordic segment, which in our reporting includes the Baltic region, we hold a highly robust market position, with favourable profitability and growth of a full 11%, despite lower growth ambitions.

Nordic will continue to strengthen in 2019 following the Danish acquisition of Multiprint, which was completed in March. The acquisition offers us a much stronger position in Denmark.

In the Europe segment, which we define as Europe excluding the Nordic and Baltic regions, we are focusing on growth ahead of profitability as several of our operations are relatively new with, as yet, small market shares. Growth here exceeded 20%, and profitability, despite being low, noted an increase during the year. Given that we already have several customers in the Benelux region and

> “Our focus is now on continuing to deliver quality, generating value and creating profitable growth.

can see potential there, we decided to establish operations in the Netherlands, and staff recruitment will take place in 2019.

In the East segment, demand is rising sharply both in China and other countries. Sales grew by more than 20% during the year. Operating margin exceeded 10%, which is positive considering the strong growth. During the year, we launched operations in Malaysia that is an attractive market with a large and growing production of PCB-As, which creates healthy demand for PCBs.

North America is the only segment that failed to grow during the year. We are in a period of change in our USA operations and are creating a more efficient organisation to increase growth and earnings.

The 10% tariffs introduced on imports from China may have impacted sales slightly, even if it was positive that the hike is still not 25%, which had been previously announced. The import tariffs entailed some turbulence in the market, although it is too early to assess the implications. Manufacturing in China remains the best alternative.

ONE STEP ON A LONG AND EXCITING JOURNEY

Overall, we are pleased to present another strong year – our first year as a listed company. We have performed well in line with our medium and long-term targets of 8% growth and 8% margin. This is gratifying notwithstanding the fact that we operated in a solid business environment during the year.

I would like to take this opportunity to welcome all shareholders on this journey and thank all of our committed and competent employees for their contributions over the past year!

Our focus is now on continuing to deliver quality, generating value and creating profitable growth in line with our strategy – for at least another 25 years.

Hans Ståhl
CEO and President, NCAB Group AB
Bromma, March 2019

Small but very important

PCBs constitute the foundation of PCB-As (i.e. printed circuit board assemblies), which are found in almost all types of electronic equipment and are customised for every end-product. Superficially, PCBs look very similar, regardless of their actual quality. Under the surface, there are substantial differences that influence sustainability and functionality throughout its life cycle.

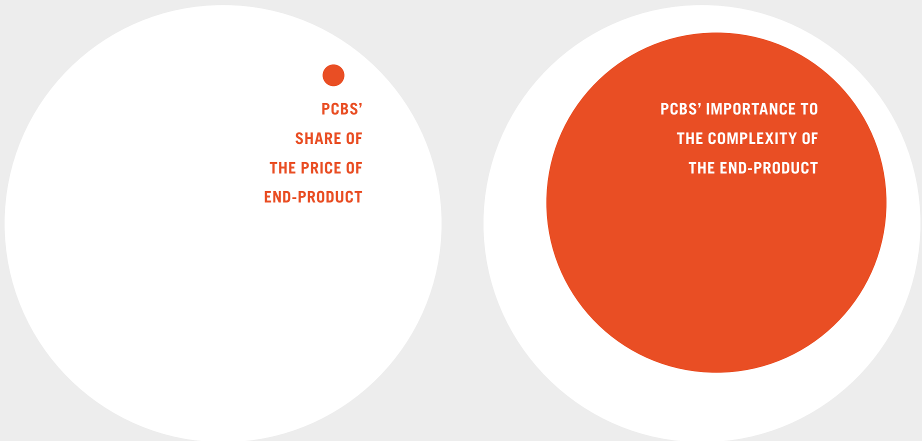
PCBs represent a small share, between 1% and 3%, of the value of the end-product. Often, PCBs have a greater share of the value in basic end-products, for example an electric toothbrush, and a smaller share in more complex end-products, such as an industrial robot. Regardless of the complexity, PCBs are critical for the end-product – a defective PCB is often very expensive to rectify. This makes quality one of the most important purchasing criteria for NCAB's customers.

PCBS FORM THE BASIS OF ALL PCB-AS
The demand for PCBs is driven by PCB-A production, since PCBs are the platform on which electronic components are mounted to produce a PCB-A.

PCBs can vary in terms of the number of layers, technology, functionality and material, with multi-layer PCBs generally being more expensive. Special functions, such as resilience to microwaves or the degree of flexibility, represent factors that can influence cost.

BREADTH AND DEPTH FOR DEMANDING CUSTOMERS
NCAB's PCB portfolio includes a wide range of products: from basic 2-layer PCBs to advanced HDI-PCBs and flexible PCBs. Even if the PCBs delivered by NCAB vary greatly in terms of functionality and application, they share one characteristic: all PCBs have been examined by NCAB's PCB experts.

> “Quality is one of the most important purchasing criteria for NCAB's customers.



Qianying Ding, QC Inspector, quality assuring a PCB at the Suntak factory, in Jiangmen, China.

1993–2018

From trader to global full-service supplier

When NCAB was founded in 1993, it focused on supplying customers with high-quality PCBs from external manufacturers mainly located in Taiwan, and subsequently in China. At that time, the company was a basic trader of PCBs, without much interaction with the manufacturers.

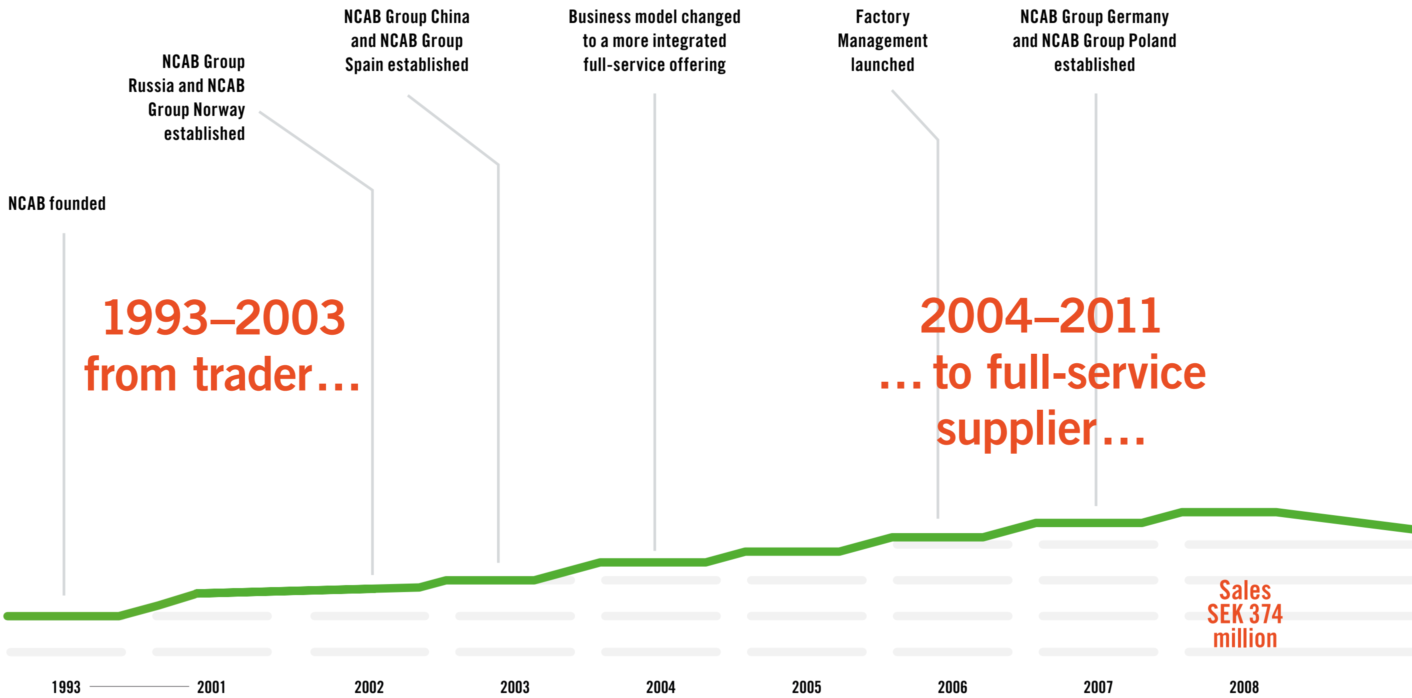
In 2003, the company changed focus, under new management, with a vision that NCAB should be a decentralised organisation with a strong local presence, both among customers and manufactures.

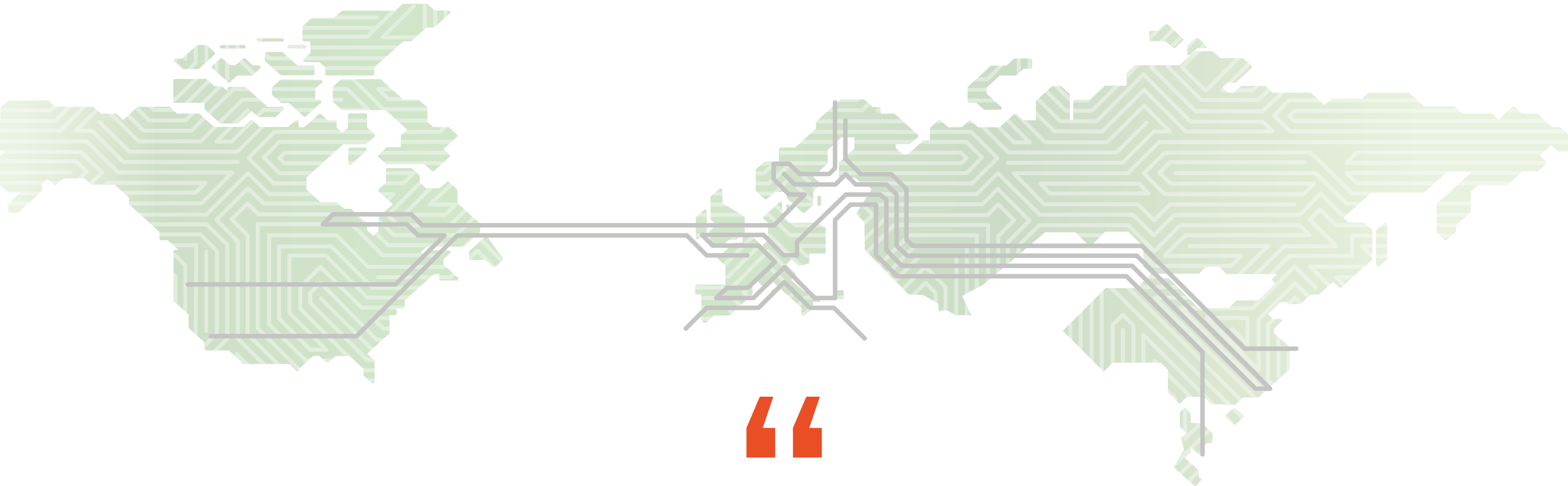
A close relationship with manufacturers was important to ensure high-quality PCBs. This vision was achieved partly in 2006 when the current Factory Management organisation was introduced in China, which improved both the quality of PCBs and delivery reliability to customers.

In line with the major transfer of PCB production from Europe and USA to China, NCAB has increased its market shares and moved from a position as PCB supplier to become a global full-service supplier. Today, the company has operations in 17 countries, with sales to 45 markets.

NCAB has a history of strong and profitable growth. Between 2004 and 2018, sales have increased more than sevenfold, from SEK 216 million to SEK 1,617 million, while the number of employees has grown from 50 to 378.

Since it was founded, the company has carried out several acquisitions, of which two were major and formed the foundation for setting up operations in the USA. The main driver behind the strong growth was, however, geographical expansion to countries including Germany, China, the UK and France.





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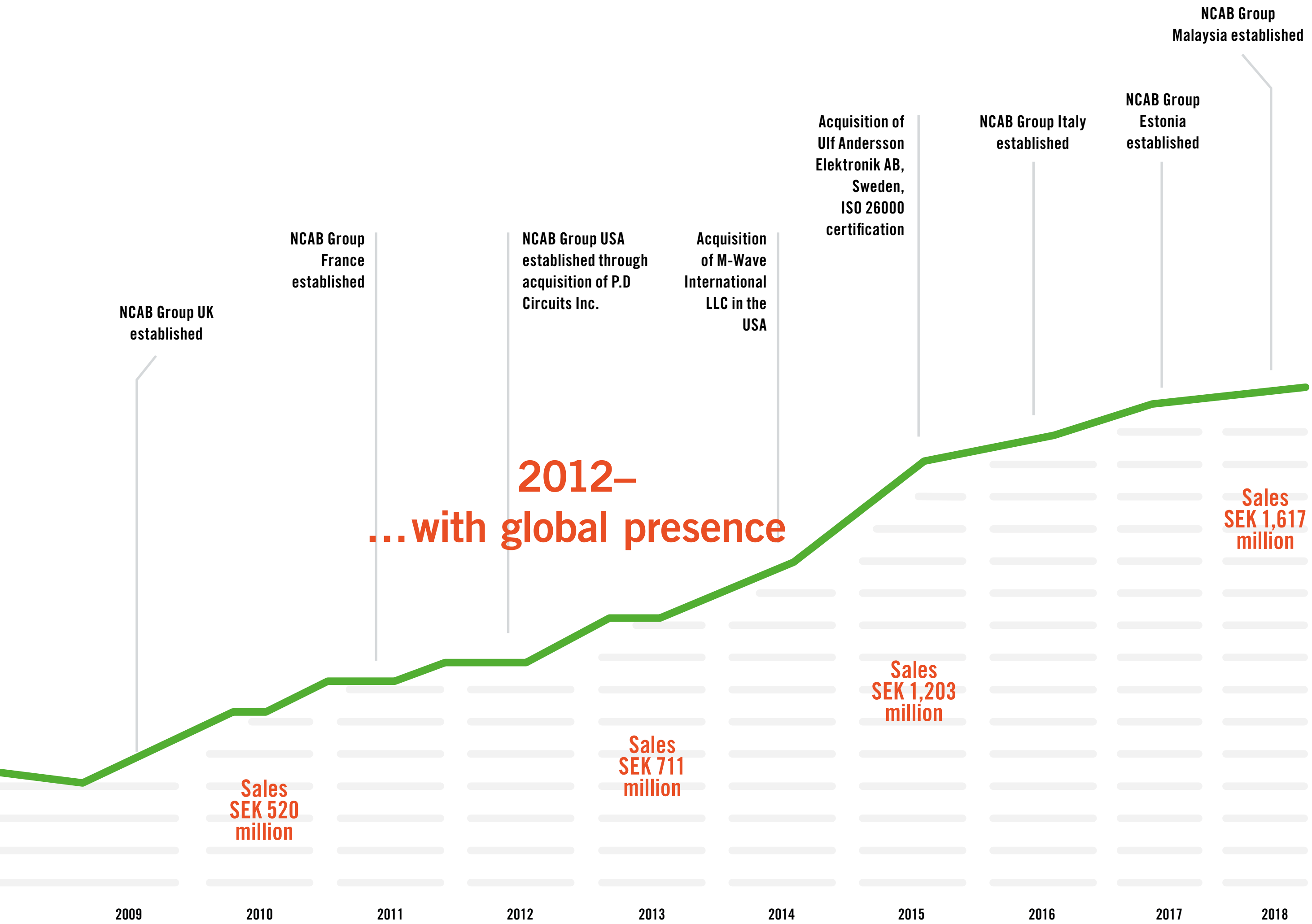


Specialists in a global market in growing niche

NCAB operates in the global PCB market and has sales to 45 markets around the world. The company focuses on a growing, specific niche in the PCB market that has a higher level of technology, lower volumes – and stronger margins.

FOCUS ON HIGH-MIX-LOW-VOLUME (HMLV)

The market for PCBs can be divided into two main segments that cover different customer needs: High-Volume and High-Mix-Low-Volume (HMLV). The High-Volume segment is characterised by strong competition: high volumes, low prices and small margins – in industries manufacturing cars or consumer goods, such as mobile phones. The large volumes often mean customers prioritise price ahead of short delivery times. Due to these conditions, buying directly from Asian manufacturers is the most common alternative in the High-Volume segment.

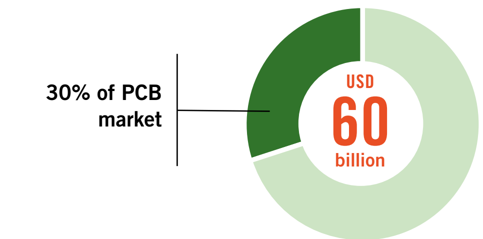
NCAB's main focus, the HMLV segment, is for orders with lower volumes and that encompass many different types of PCBs. These types of PCB are often used in more technically advanced products, in the engineering industry, medtech and automotive industry.

MARKET-LEADING POSITION

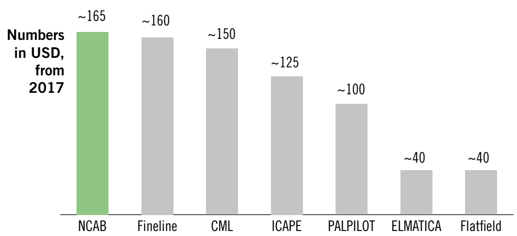
The PCB market in Europe and North America is a fragmented market with many local players. NCAB's primary competitors are, for example, Fineline in Germany, ICAPE in France and PalPilot in the USA, which operate in a similar fashion to NCAB with local customer presence and organisations in China to ensure quality and capacity. Other types of competitors include Asian manufacturers that sell directly to customers in Europe and North America, mainly active in the High-Volume segment, and domestic manufacturers and small trading companies without their own presence in China.

In its niche, NCAB is one of the largest suppliers in the European and North American markets. In Sweden, NCAB is the largest player in the market, and one of the largest suppliers in Norway and Finland.

HMLV segment

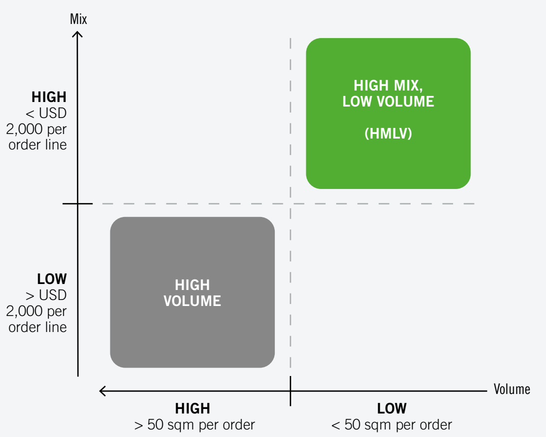


Market-leading position, globally

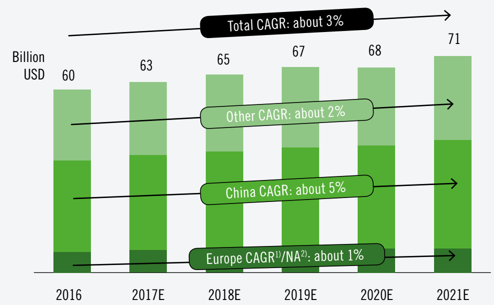


Source: EY, 2017

HMLV is an attractive niche in the PCB market



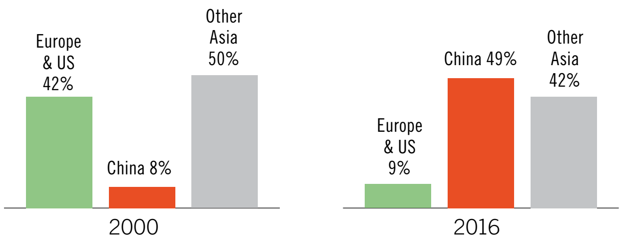
Total PCB market



1) Denmark, Estonia, Finland, France, Ireland, Italy, Latvia, Lithuania, Norway, Poland, Portugal, Russia, Switzerland, Spain, UK, Sweden, Germany and Austria.
2) USA, Canada and Mexico.

Market trends – consolidation and decrease in domestic production

Development of total PCB production 2000–2016



Source: EY, 2017

TREND	IMPACT ON NCAB
GROWTH IN DEMAND FOR ELECTRONICS Increased digitisation is driving the growth in electronic products. The value of these products in relevant markets, including medtech, automotive, industrial, aerospace and defence, telecom as well as computer, communication and consumer electronics (3C) is expected to grow at approximately 4% per year until 2021 globally, according to a report from EY. The market is also demanding increasingly sophisticated and advanced PCBs. At the same time, PCBs are becoming smaller, meaning more functions must be fitted in a smaller space.	NCAB's growth is driven to a certain extent by this change – though NCAB has historically grown at a faster rate than the market. NCAB is in a good position with a favourable spread across several industries making the company less dependent on temporary dips in a specific end-industry. NCAB, with its solid expertise and experience, is favoured by the trend towards greater complexity and miniaturisation of PCBs, since the resulting demand for design support increases.
PCB PRODUCTION MOVES TO ASIA As can be seen in the chart above, European, North American and South American manufacturers accounted for 42% in 2000. In 2016, the corresponding figure was 9%. China's share of the global production increased from approximately 8% to 49% during the same period. The large movement between 2000 and 2016 is mainly related to production in the High-Volume segment, while the production that is still remaining in Europe and North America primarily relates to the HMLV segment. The production is now moving to Asia at a slower pace than previously, however, the decreasing domestic production is today largely concentrated to the remaining HMLV production.	The consolidation among manufacturers is expected to strengthen the position of suppliers, such as NCAB, which have greater purchasing power by aggregating customer demand. In addition, the growing manufacturers often gain market shares by selling directly to larger customers. However, this mainly impacts the High-Volume segment where NCAB is not active.
CONSOLIDATION OF MANUFACTURERS IN CHINA There is an ongoing consolidation of PCB production and manufacturers in China, mainly in the form of larger manufacturers outgrowing the market. This makes it increasingly difficult for customers to secure favourable terms unless they are a significant customer to the growing manufacturers.	According to a report from EY, production movement over the next five years will result in a reduction in locally produced PCBs in Europe and North America of about USD 250 million, in favour of an equivalent increase in imports. Suppliers, such as NCAB, are well-positioned to benefit from the anticipated increase in net imports in Europe and North America.
STABILISING PCB PRICES In recent years, PCB prices have been under pressure, primarily due to capacity increases and exchange rate fluctuations. A better balance in global supply and demand as well as adjusted price levels between markets are forecast moving forward. The average prices of PCBs are expected to stabilise, as a result of the price pressure on PCBs being offset by an increased share of more expensive high-tech PCBs. Production costs are expected to be stable, as increased cost for material, staff and regulatory compliance is expected to be offset by further automation and process improvements.	Electronics face a constant price pressure, which is partly channelled down to PCB manufacturers, especially in the High-Volume segment where NCAB is not active.

Clear position in the value chain

NCAB's position in the value chain is to assume the entire responsibility towards the customer – from design support, via prototyping, production and quality control to delivery – as opposed to many other suppliers who generally act as an outsourced purchasing function.

MANUFACTURING PCBS

Asia, and particularly China, accounts for just over 90% of PCB manufacturing. In China alone, there are more than 1,300 factories with export permits to the USA. Success factors for these manufacturers of HMLV PCBs include flexibility to rapidly meet customers' demands and, in order to do this, manufacturers must have a production system adapted to low volumes. PCB production is very capital-intensive with large-scale plants and factories often specialising in specific areas of PCB production, to become more competitive. This means a supplier that collaborates with one or a few manufacturers will not be able to meet the wider needs of customers at attractive terms. A supplier such as NCAB, which cooperates with a broad network of manufacturers, can use the cutting-edge expertise offered in all factories and thereby provide a broad range of products to its customers.

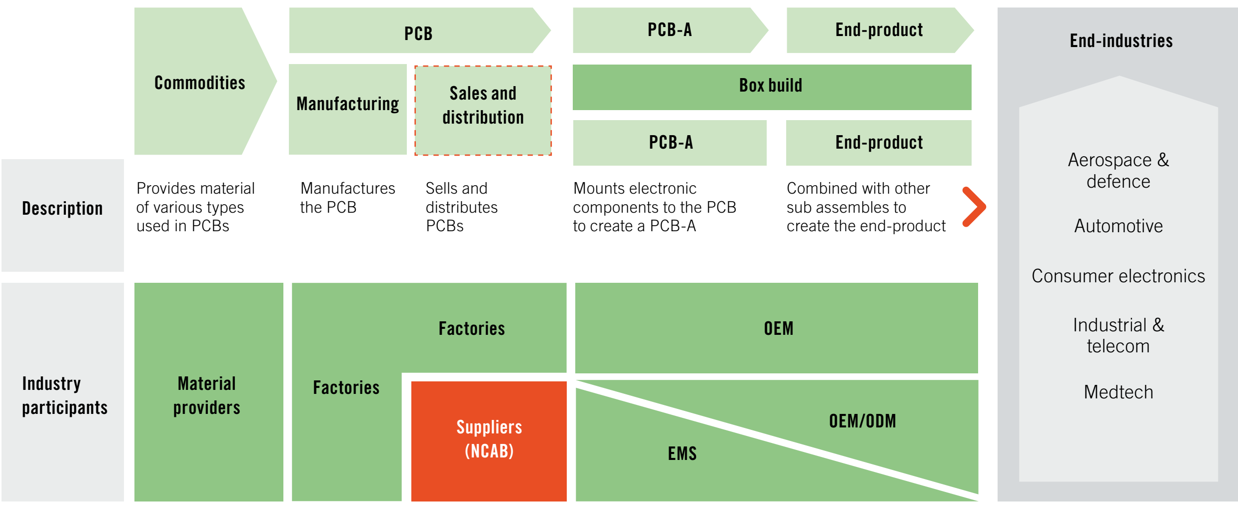
Quality is a top purchasing criteria in relation to PCBs, due to the fact that PCBs often represent a relatively small share of the value of the end-products, about 1–3%, but are at the same time critical to the function of the end-product, where a faulty PCB can cause significant costs. Many customers source their HMLV components through an intermediary in order to focus its own purchasing organisation on high-volume and high-value components.

European and US customers purchase PCBs from suppliers with a local presence and purchasing expertise to obtain a wide range of high-quality PCBs at competitive prices. Suppliers with this position in the value chain offer an alternative route for factories to direct sales to Electronic Manufacturing Services (EMS) companies and Original Equipment Manufacturers (OEM). The position of suppliers, such as NCAB, in the value chain is expected to become stronger over time in Europe and the USA, given that domestic PCB production is decreasing while imports are increasing.

SALES AND DISTRIBUTION OF PCBS

The sales and distribution of PCBs is normally conducted using two channels: directly from factories or through a supplier, such as NCAB. Purchasing PCBs directly from factories is less common in the HMLV segment than in the High-Volume segment. NCAB is a full-service supplier whose role in the value chain is to assume the entire responsibility towards the customer – from design support, via prototyping, production and quality control to delivery – thereby distinguishing itself from other suppliers who generally act as an outsourced purchasing function.

Aggregating demand and supply for PCBs creates value, particularly in the HMLV segment, partly for customers who can benefit from NCAB's purchasing power, partly for manufacturers that can benefit from a highly specialised counterparty. Furthermore, manufacturers can benefit from the fact that NCAB provides them with large volumes of PCBs through its substantial customer base. NCAB's established Factory Management team also helps the manufacturers to improve processes, quality and technological know-how, enabling further advancements in their product offering.



NCAB assumes overall responsibility – from design support to delivery. Jerry Zheng, Production Quality Engineer at NCAB Group China, performs a quality audit.

Beckhoff Automation, Germany

Complex circuit boards require transparent dialogue – the key to a strong customer relationship

Enabling industrial automation is an interesting business today. Beckhoff has a strong track record in the field and remains at the technology forefront. NCAB provides the German company with advanced HDI printed circuit boards.

For nearly 40 years, Beckhoff Automation has been an innovative provider of PC-based control technology. Along the way Beckhoff has invented and promoted products and solutions that have represented big steps forward in automation technology – such as the Fieldbus technology and the TwinCAT software. Today the company, based in Verl in the German state of North Rhine-Westphalia, exports automation products, systems and solutions to industries all over the world.

Two important segments for Beckhoff are industrial PC solutions and drive technology solutions. The company's industrial PCs, with their high-quality components, can fill all control requirements in industrial applications, eliminating the need for controllers. The Beckhoff Drive Technology solution represents an advanced and complete drive system for industrial automation. Since 2016, Beckhoff has turned to NCAB for supplying high-technology HDI PCBs for these product lines.

"We have used the model with a PCB supplier supervising production in Asia, and taking responsibility for CAD/CAM work and quality control, for a long time and it works well for us. We are not PCB experts, but we want high quality boards for a reasonable price. This is something NCAB can offer us for the HDI segment," explains Michael Schlegel, Head of Production at Beckhoff Automation, as well as Managing Director of its subsidiary Smyczek.

Michael Schlegel especially appreciates the high level of attention, support and service provided by his Key Account Manager at NCAB Group's local office for Northern Germany. A strong local presence and transparent communication are important reasons behind the very fast growth in orders from NCAB over the past two years.

"Normal business anyone can do, but getting the best possible result when something unexpected happens is another matter. This is where I feel I can really trust NCAB. Furthermore, we always get a clear and transparent answer to any questions we have, which we appreciate", Michael Schlegel explains.

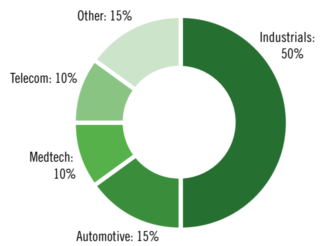
Beckhoff Automation in brief

- Innovative provider of automation technology
- Headquarters and production: Verl, Germany
- Turnover (2017): €810 Million
- 3,900 staff worldwide
- 22 sales/technical offices in Germany
- 37 subsidiaries/branch offices worldwide
- Representation in more than 75 countries

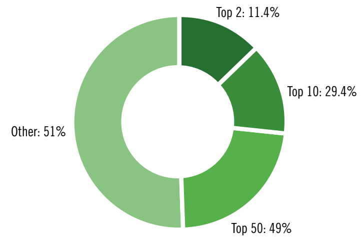
NCAB has a diversified customer base and broad industry spread

Sales by customer type

Sales by industry



Diversified customer base



Stable base of customers

NCAB has about 1,725 customers located in 45 countries worldwide. The customer base is far-reaching – for example, the 10 largest customers accounted for 29% of sales in 2018. The distribution across different countries, industries and types of companies increases diversification and reduces risk.

About half of NCAB's customers are active in the industrial sector. Typical industrial customers manufacture electronic components for advanced industrial products, which makes quality and reliability important. NCAB also has customers in sectors such as medtech, telecom and heavy vehicles.

There are two main types of PCB purchasers: Original Equipment Manufacturers (OEM) and Electronics Manufacturing Services (EMS) companies. Normally, an EMS customer demands a wider product mix of PCBs than an OEM customer, as its range of products is wider. EMS customers have greater focus on price than OEM customers, which is explained by, inter alia, that PCBs account for a much larger share of the value of an EMS customer's product, approximately 8–12% for PCB-As, but also of the lower margins EMS customers typically have. PCBs constitute about 1–3% of the value of an OEM customer's end-product.

EMS CUSTOMERS DEMAND BROAD RANGE OF PCBS

EMS companies offer assembly and purchasing services to OEM customers and Original Design Manufacturer (ODM) customers when their own production is not suitable depending on technical level and capacity. An EMS company buys components that it combines to an assembly for an OEM customer or ODM customer. The assembly can be, for example, a PCB-A comprising the PCB and electronic components, but it can also be a complete end-product such as a thermal camera.

The typical EMS customer needs to source numerous different PCBs due to its wide range of products, while the typical OEM or ODM customer generally has fewer products and therefore requires fewer types of PCBs. An EMS company generally has several preferred suppliers from which it purchases PCBs in the HMLV segment. Due to the breadth of EMS customers' product lines, they often engage a supplier such as NCAB in order to benefit from their expertise when purchasing PCBs. EMS customers accounted for about 60% of NCAB's sales in 2018.

OEM CUSTOMERS ASSEMBLE PCBS IN-HOUSE

OEM customers are manufacturers of their own products, and operate in their own end-industry. OEM customers purchase both components and PCBs, and assemble the components in-house into a PCB-A. Typically, OEM customers source HMLV orders from suppliers, such as NCAB, while High-Volume orders are purchased directly from Asian manufacturers. Direct sales to OEM customers accounted for about 40% of NCAB's sales in 2018.

ODM CUSTOMERS HAVE NO IN-HOUSE PRODUCTION

ODM companies have no in-house production and normally work only with design, marketing and sales distribution of a product. ODM customers instead use EMS companies to assemble the complete product. ODM customers are therefore only indirect customers to NCAB and are reported as sales to EMS customers. In approximately one quarter of NCAB's orders from an ODM customer, the ODM customer decides which PCB supplier the EMS company with which they placed the order must use. This occurs more frequently for high-tech applications, and the PCB supplier has a strong bargaining position to achieve high margins in these situations.

NCAB's two customer types	OEM		EMS / OEM/ODM
	Small and medium-sized	Large	
Portion of NCAB's sales	About 40%		About 60%
Buyer's knowledge of PCBs	Low	Low/Medium	High
Purchasing patterns	› Few products › Less structured › Less price sensitive	› Slightly wider product offering › Structured purchasing – High volume directly from Asian factories and HMLV from suppliers › Low to medium in terms of price sensitivity	› Much wider product offering › Structured purchasing process › European and US EMS companies typically purchase via suppliers for the broader product portfolio and better factory control › Greater focus on KPIs, such as quality and price
Purchasing strategy	› One or a small number of preferred suppliers and/or domestic factories	› Has a "Preferred Supplier List" › Chooses suppliers based on qualitative metrics, such as quality, delivery reliability and customer service › Typically purchases from a small number of PCB suppliers	› Has a "Preferred Supplier List" › Typically purchases from a small number of PCB suppliers

This is NCAB

VISION
The number 1 PCB producer – wherever we are.

MISSION
PCBs for demanding customers, on time with zero defects, produced sustainably at the lowest total cost.

VALUES
Quality first. Strong relationships. Full responsibility.

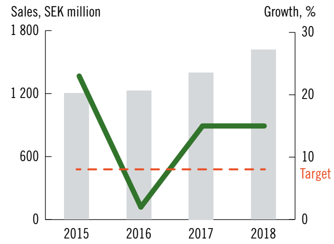
NCAB purchases PCBs from a number of manufacturers, primarily in China. Using the "Integrated PCB production" concept, NCAB assumes overall responsibility in relation to its customers – from design support, prototyping, production and quality control to final delivery. The business model, where NCAB is a full-service supplier, has several advantages: no inventory and limited investments, which results in low capital tied-up and strong cash flows.

OUTLINE OF OBJECTIVES

Growth

Goal 8%
To achieve an average growth before acquisitions in the medium-term of about 8% per year

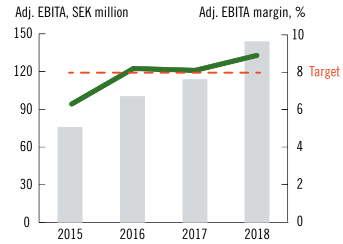
Outcome 15%
Sales grew 15% in 2018. In USD, sales grew 14%



Profitability

Goal 8%
In the medium term, to reach an average adjusted EBITA margin of about 8%

Outcome 8.9%
In 2018, adjusted EBITA margin reached 8.9%



Indebtedness

Goal <2.0
Net debt in relation to adjusted EBITDA shall be less than 2.0

Outcome –0.1
Net debt in relation to adjusted EBITDA was –0.1 at 31 December 2018

Net cash 2018:
10.8 SEK million

Dividend

Goal 50%
To distribute available cash flow, which is expected to correspond to at least 50% of net profit

The motion to the 2019 Annual General Meeting is the payment of a dividend of SEK 75.8 million, corresponding to 73% of net profit

Proposed dividend for 2018:
4.50 SEK per share

STRATEGY

NCAB is methodically developing the company according to a well-established strategy in order to continue to grow with good profitability – and the company sees major opportunities to strengthen its market position in the years ahead.

Initiatives and development during the year

INCREASE MARKET SHARE

The aim is to increase market share in countries such as France, Italy, Germany and the USA, where NCAB still has a small share of the market, by employing new staff. In the larger countries, Germany and USA, the ambition is to open additional offices to move closer to customers. These important markets still have a high level of domestic PCB production and NCAB is aiming to gain market share as domestic production decreases.

In 2018, NCAB reported organic growth of 15% and is therefore expanding faster than the market. NCAB mainly gained market shares in the Europe and East segments by securing many new customers, chiefly in Germany, the UK, Italy and China. Growth was also noted from customers with whom NCAB has collaborated for two–three years and who are now increasing volumes. Italy, where NCAB established operations in 2017, also reported a positive trend. In parallel, new offices were opened in Europe and China to support continued market growth.

ENSURE PROFITABILITY FROM EXISTING CUSTOMERS

In markets where NCAB has a strong position, for example in the Nordic region, the aim is to deepen relationships with existing customers to improve profitability. The value of the customer offering can be improved by: focusing on the largest customers, creating global customer accounts and by generally increasing the share wallet of PCBs. By creating global customer accounts, NCAB can have a broad geographical reach and serve and receive orders from the same customer in several markets. Furthermore, NCAB will be less dependent on finding new customers when entering a new market.

During the year, the global sales organisation was strengthened with more resources and better control. The Nordic segment's strategy – to focus more on existing customers rather than activities for new customers – contributed to the improvement in its EBITA margin to 16.2% (12.8). NCAB has also particularly focused on adding further value by expanding its technical advisory services.

GEOGRAPHICAL EXPANSION

There are several large markets where NCAB has yet to establish local presence, including well-developed markets with many similarities to NCAB's current main markets, for example the Benelux region and large and growing markets and countries in Asia, as for example India and Malaysia.

NCAB established a company in Malaysia at the end of 2018. A Managing Director was appointed and assumed the position in February 2019. Malaysia is a growth market with a high level of electronics production. The expanding local market entails increasing demand for shorter series (HMLV), which is of interest to NCAB. In November, a decision was also taken to establish operations in the Benelux region through a new company in the Netherlands.

MARKET CONSOLIDATION

NCAB is in a strong position to drive consolidation in the market. NCAB has completed successful acquisitions in recent years, for example, in connection with its expansion in the USA. With potential acquisition targets located both in markets where NCAB has yet to establish local presence as well as markets where NCAB has strong positions, there are possibilities to broaden the geographical footprint as well as increase market shares in existing markets through acquisitions. Potential synergies of acquisitions are mainly derived from economics of scale and increased purchasing power towards manufacturers.

NCAB holds discussions with potential acquisition targets on a regular basis. In March 2019, 100% of shares were acquired in the Danish company Multiprint A/S. The acquisition will reinforce NCAB's position in the Danish market and will contribute to both new customers and skilled employees.

An integrated full-service offering

Quality is one of NCAB's most important cornerstones and strongest values – and quality pervades all parts from design support to delivery in the company's integrated full-service offering.

NCAB does not own any factories. Instead, the company purchases its products from a network of manufacturers. NCAB currently has 22 manufacturers in its network, 17 of which are in China. NCAB's five other manufacturers are located in Europe and the USA and are used primarily for prototyping and for orders with very short lead times. NCAB aims to be an important partner and account for at least 15% of each manufacturers' sales to secure a close relationship, improve purchasing power and to gain priority of each manufacturer.

Through the contracted manufacturers, NCAB can offer its customers almost all types of PCBs while reducing dependency on a single manufacturer. In order to ensure high flexibility, capacity and strong purchasing power in its customer offering, NCAB strives to multi-source all PCB technologies. Through multi-sourcing, NCAB can offer high capacity, quality, low total cost and short lead times in almost any PCB technology that the customer requests.

Using the "Integrated PCB production" concept, NCAB offers added value to both customers and suppliers by taking overall responsibility in relation to customers – from design support, prototyping, production and quality control to final delivery. Quality is an important watchword for NCAB and all parts of the company's offering are to be pervaded by high quality – proactively and reactively. Preventive quality work is particularly important since errors that arise later in the process are more costly and time consuming.

TECHNICAL AND DESIGN SUPPORT
NCAB offers design support to all orders and ensures that the PCBs are optimally designed for production and in accordance with specifications. NCAB's technicians often cooperate directly with customers' designers. 30% of all design files that customers send to NCAB, before they are sent to production, contain errors or are incomplete – which demonstrates the importance of NCAB's design support and proactive quality work.

PROTOTYPING
NCAB offers prototyping services through special factories in Europe, the USA and China. The prototypes are manufactured as a means of verifying that the PCB design will operate in practice, which guarantees shorter lead times and an efficient manufacturing process.

PRODUCTION
Through multi-sourcing, NCAB can offer high capacity and short lead times in almost any PCB technology. Meanwhile, NCAB's purchasing power ensures competitive prices in volume production.

QUALITY ASSURANCE
NCAB is highly successful in delivering high-quality PCBs and acting both proactively and reactively to guarantee the highest quality. If a problem arises, NCAB takes full responsibility and the company's strong local presence among customers and manufacturers allows a rapid analysis of any errors in local test laboratories to rectify the problem. NCAB's quality assurance work is conducted by the Factory Management team on site, and together with the factories.

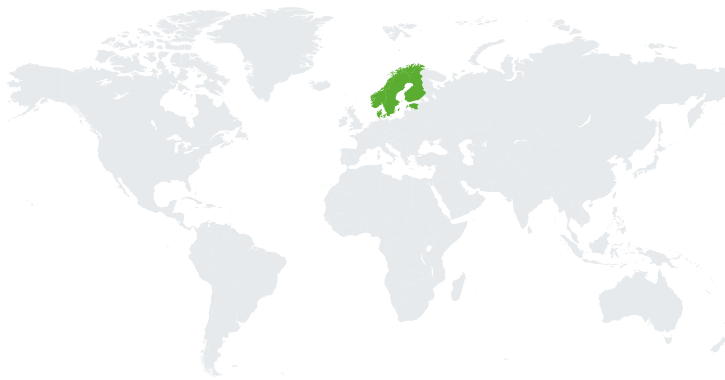
DELIVERY RELIABILITY
Factory presence, thorough processes and frequent follow-ups with manufacturers reduce lead times and ensure high delivery reliability. In addition, NCAB has logistics functions in every country in which it operates. Delivery reliability is a key factor given that PCBs are often the final components to arrive at an assembly line.

> NCAB's operations are divided into four segments – all with different degrees of maturity, conditions and potential.

Federica Oddi, NCAB Group Italy, at one of NCAB's annual global introduction sessions for new employees.

Nordic

SWEDEN, NORWAY, DENMARK, FINLAND AND ESTONIA



In the Nordic segment, NCAB has a strong market position and focus is on profitability. Customers are mainly active in the industrial segment, and in medtech and telecommunications.

NET SALES, SEK million
409

EBITA, SEK million
66.4

EBITA MARGIN
16.2%

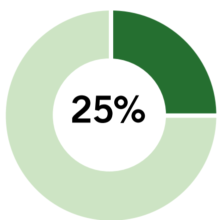
In the Nordic segment, NCAB has a long track record and strong market position. The strong position, combined with a relatively mature market, means NCAB's focus is on enhancing profitability rather than growth and recruitment. Customers are mainly active in the industrial segment, and in medtech and telecommunications. The segment's favourable profitability is mainly due to strong customer relationships, as a result of long-term work focusing primarily on quality and reliability, and the strategy is to further deepen these customer relationships over time. In 2018, the segment accounted for 25% of the Group's total sales and 43% of adjusted EBITA.

PERFORMANCE IN 2018

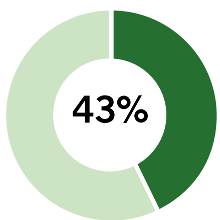
The past year was characterised by strong growth and noted a highly favourable performance in terms of profitability, with extra momentum from a strong USD and positive developments in all markets. The strong growth was also linked to robust underlying demand. The establishment of operations in Estonia in 2017 created new growth opportunities, which continued to develop in 2018. Sales for the year amounted to SEK 409.4 million, corresponding to growth of 11% in SEK and 10% in USD. EBITA increased to SEK 66.4 million (47.2), corresponding to a margin of 16.2% (12.8).

KEY PERFORMANCE INDICATORS	2018	2017
Net sales, SEK million	409.4	368.2
Sales growth, %	11.2	12.2
EBITA, SEK million	66.4	47.2
EBITA margin, %	16.2	12.8
Average number of employees	49	49

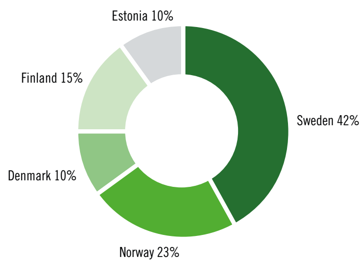
SEGMENT'S SHARE OF SALES



SEGMENT'S SHARE OF ADJUSTED EBITA

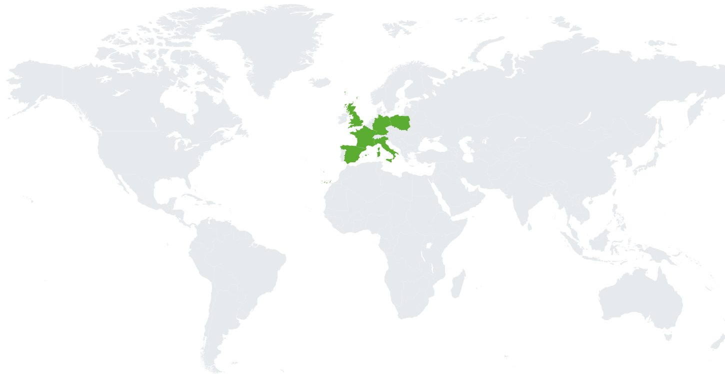


SALES BY COMPANY



Europe

FRANCE, GERMANY, SPAIN, POLAND, ITALY AND THE UNITED KINGDOM



Europe is the segment with the highest sales and strongest growth of NCAB's four segments. The main focus is on growth rather than profitability. Customers are primarily in the industrial segment.

NET SALES, SEK million	EBITA, SEK million	EBITA MARGIN
632	40.5	6.4%

Europe is NCAB's largest segment in terms of sales: in 2018, the segment accounted for 39% of the Group's total sales. In the Europe segment, the main focus is on growth. All companies have a relatively low market share and several companies were established relatively recently. A key factor for achieving continued growth is recruitment, which is putting short-term pressure on profitability.

In France, Italy and Germany, the company still has a relatively small market share, partly as these countries and markets still have significant domestic production of PCBs. As domestic production decreases in these countries, NCAB is aiming to gain market shares. By targeting resources towards this segment, for example by recruiting new staff and setting up new offices, the aim is to drive organic growth and better meet the requirements of regional customers.

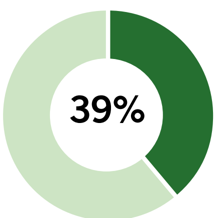
PERFORMANCE IN 2018

Strong demand from new and existing customers during the year contributed to robust growth in most of the segment's companies. Growth was particularly strong in Germany and the UK, which both secured several new customers. In Germany, a new office was also opened near Stuttgart. In Italy, where NCAB established operations in early 2017, sales developed favourably and NCAB continued to receive a positive reception from the market during the year. The Italian company now has some 40 customers that place regular orders and about ten employees, though earnings were negative in 2018, which was a result of the number of new recruits and the fact that the company is in a start-up phase.

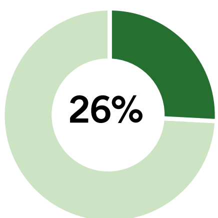
Sales for the year amounted to SEK 631.5 million, corresponding to growth of 25% in SEK and 23% in USD. At the same time, EBITA increased to SEK 40.5 million (29.8), corresponding to a margin of 6.4% (5.9). The number of employees in the Europe segment increased during the year by 13 to 111. The majority of new recruits were in Germany and Italy during the year.

KEY PERFORMANCE INDICATORS	2018	2017
Net sales, SEK million	631.5	507.5
Sales growth, %	24.4	16.2
EBITA, SEK million	40.5	29.8
EBITA margin, %	6.4	5.9
Average number of employees	111	99

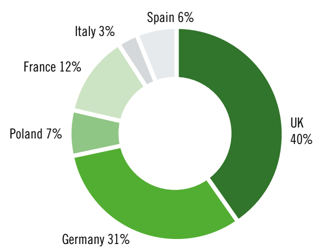
SEGMENT'S SHARE OF SALES



SEGMENT'S SHARE OF ADJUSTED EBITA

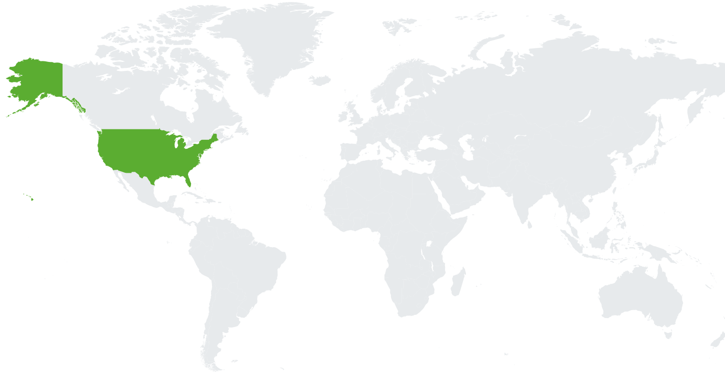


SALES BY COMPANY



North America

USA



NCAB has a relatively small share of the USA market, where focus is on new operations and activities targeting new customers. Customers are primarily active in the industrial segment and medtech.

NET SALES, SEK million	EBITA, SEK million	EBITA MARGIN
258	12.0	4.6%

NCAB established a presence in the USA through two acquisitions in 2012 and 2014. Since then, three additional regional offices were opened to strengthen the relationship to the company's customers. The focus is on recruitments, new customers and growth in new industries, which is putting pressure on profitability.

Like the Europe segment, NCAB has a small market share in the USA due to significant domestic production of PCBs. As domestic production decreases, NCAB is aiming to gain market shares. NCAB in the USA is in a transitional phase where sales of low-tech products are declining in favour of more high-tech products, which NCAB views as beneficial in the long term.

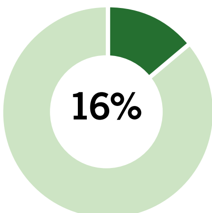
PERFORMANCE IN 2018

The transitional phase, including greater focus on more high-tech products, had an adverse impact on both growth and earnings during the year. The transition meant NCAB implemented structural changes in the organisation, which resulted in many new recruits. However, NCAB has noted an increase in the number of new customers during the year.

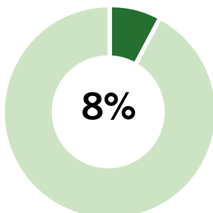
In September, import tariffs of 10% were imposed on goods for resale from China, including PCBs. The import tariff has been invoiced in full to customers. It is difficult to assess the consequences of the restrictions, besides a greater administrative burden. Capacity utilisation at US factories is relatively high and they are substantially more expensive, so the impact on imports from China is therefore not expected to be significant. The previously announced increase to 25% has not yet been implemented. Sales for the year amounted to SEK 258.1 million (261.0), corresponding to negative growth of 1% in SEK and 3% in USD. EBITA decreased to SEK 12.0 million (12.3), corresponding to a margin of 4.6% (4.7).

KEY PERFORMANCE INDICATORS	2018	2017
Net sales, SEK million	258.1	261.0
Sales growth, %	–1.1	3.9
EBITA, SEK million	12.0	12.3
EBITA margin, %	4.6	4.7
Average number of employees	55	55

SEGMENT'S SHARE OF SALES



SEGMENT'S SHARE OF ADJUSTED EBITA



East

CHINA, RUSSIA, MALAYSIA AND MACEDONIA

NCAB's market position varies in the East segment in the different countries. In China, NCAB has a small market share while its position is relatively strong in Russia. During the year, operations were established in Malaysia. Continued growth is expected in the segment, with particularly strong growth in China. Customers are largely in the industrial segment and the automotive industry in Russia.

NET SALES, SEK million
318

ADJUSTED EBITA, SEK million
36.3

ADJUSTED EBITA MARGIN
11.4%

The East segment has an established and expanding business in Russia and strong growth in China. The Chinese business sells to Chinese customers and to European customers who are establishing a presence in China. About 30% of customers in China are local, while the remaining 70% are Western companies with local production.

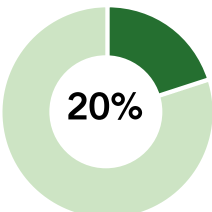
NCAB still has a small share of the Chinese market, but sees exciting growth opportunities with Chinese EMS customers who appreciate NCAB's level of service and who are offered easier access to the highly-regarded PCB factories that NCAB works with. NCAB expects to open more local sales offices in China to further increase its level of service and presence among customers. In Russia, NCAB has a stable position with a good market share and local presence in both St Petersburg and Moscow. The market is volatile, but NCAB has had a historically positive growth trend.

PERFORMANCE IN 2018

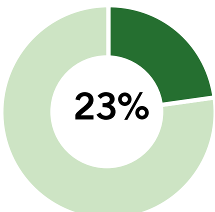
The market in the East segment was favourable throughout the year, and NCAB reported solid growth deriving from both new and existing customers. In the Chinese market, NCAB has two sales companies, one in China that sells in CNY and one in Hong Kong that sells in USD. Sales growth was strongest among customers whose end-products are aimed at the Chinese market, with sales in CNY. Furthermore, NCAB established operations in Malaysia during the year, a market that is expected to have robust growth with strong local demand. Sales for the year amounted to SEK 318.4 million (262.8), corresponding to growth of 21% in SEK and 18% in USD. Adjusted EBITA increased to SEK 36.3 million (27.8), corresponding to a margin of 11.4% (10.6).

KEY PERFORMANCE INDICATORS	2018	2017
Net sales, SEK million	318.4	262.8
Sales growth, %	21.2	28.8
EBITA, SEK million	35.4	–4.1
Adjusted EBITA, SEK million	36.3	27.8
EBITA margin, %	11.1	–1.6
Adjusted EBITA margin, %	11.4	10.6
Average number of employees	80	77

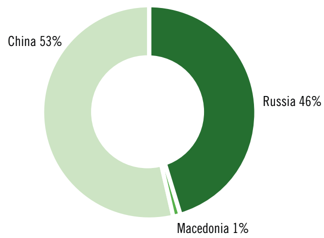
SEGMENT'S SHARE OF SALES



SEGMENT'S SHARE OF ADJUSTED EBITA



SALES BY COMPANY



Factory Management at the very heart of NCAB

The Factory Management team plays a key role in the company's quality and sustainability work related to the factories with which NCAB cooperates. NCAB has both its own personnel and dedicated factory staff in the factories, who speak the local language and who know the culture and the processes.

PRESENCE IN FACTORIES ENSURES QUALITY

NCAB's Factory Management organisation ensures the quality and improvement efforts in factories with which the company cooperates in Asia. Factory Management currently consists of 65 employees, mainly in China, who aim to create close relationships and collaboration with the manufacturers. The team is responsible for managing and developing NCAB's portfolio of manufacturers based on market requirements and NCAB's standards. The Factory Management staff work closely with the manufacturers to ensure production quality through auditing and optimisation of production processes and sustainability practices. NCAB assesses every manufacturer according to quality, delivery reliability, sustainability aspects and levels of service and price.

MULTI-SOURCING TO MEET DIFFERENT DEMANDS

NCAB's preferred factories have differing technical capability and capacity. NCAB therefore uses multi-sourcing, meaning the company collaborates with several manufacturers, which guarantees high capacity regardless of PCB type and volume. Manufacturers are typically more or less specialised within a few technologies – which makes multi-sourcing crucial to ensure high capacity regardless of utilisation levels among individual manufacturers. NCAB is endeavouring to multi-source every level of technology, which offers an opportunity to switch between manufacturers in the same category.

THOROUGH PROCESS TO FIND THE RIGHT PARTNERS

Another key focus area for Factory Management is to assess and approve NCAB's partners. The process to find new manufacturers is thorough and includes research, analysing data and information, factory visits, verification of PCB tests, quality and sustainability audits, follow-up visits and training of the manufacturer's personnel. When a manufacturer is approved, it is integrated into NCAB's development programme. This means that NCAB's factory management team integrates its work with the manufacturers to improve production efficiency, quality and sustainability performance.

WORK THAT PRODUCES RESULTS

NCAB measures quality as the number of deliveries without customer complaints in relation to the total number of deliveries. Delivery reliability is measured as the number of order lines delivered within the confirmed delivery time, in relation to the total number of delivered order lines. Since Factory Management was launched in 2006, quality has increased from 96.5% to 99.2%, which is high in the industry, and delivery reliability to the customer from 84.0% to 95.4%. According to EY, NCAB is perceived as one of the leading players in the market in terms of quality control and quality assurance.

COLLABORATION WITH THREE CATEGORIES OF FACTORIES

NCAB has strong and close relationships with the factories with which the company cooperates. In 2018, NCAB cooperated with 22 factories, mainly in China, which offered a good risk spread while allowing NCAB to provide a broad range of PCBs to its customers. In addition, NCAB engages other manufacturers for different needs.

EMPLOYEES AT FACTORY MANAGEMENT

65

QUALITY ASSURANCE

99.2%

DELIVERY RELIABILITY

95.4%

MAIN FACTORIES

- The 17 main factories in China undergo NCAB's annual quality audit and continuous assessment of processes, together with a sustainability audit every second year
- European and US factories are mainly used for manufacturing prototypes and orders with very short lead times

SPOT FACTORIES

- NCAB uses the 11 spot factories when the principle factories lack capacity or technical capability
- NCAB does not carry out an annual audit of these manufacturers, but assesses them on a continuous basis with regard to performance

SPECIAL PROJECT FACTORIES

- Special project factories are used in individual projects when both the principle factories and spot factories lack the ability to carry out the project
- These factories are used for individual customer projects and are assessed and approved for each project

Hi Jack! Can you explain how to get the most from a PCB factory?

There are plenty of different alternatives to choose from for anyone interested in manufacturing PCBs in China. But how can you find the right factory that fulfils your specific requirements? A factory that can deliver at the right price and with the right quality, delivery reliability and sustainability performance. This is a major challenge and for NCAB the solution is to have its own Factory Management in place in China, close to the factories. Jack Kei, Managing Director of NCAB's Factory Management in China, explains that work finding the right factories and getting the most our of them is both extensive and a continuously ongoing process. He describes here the separate steps involved.

CHOOSING SUITABLE FACTORIES FOR COLLABORATION BASED ON MARKET REQUIREMENTS

– Our sourcing process, during which we identify factories for collaboration, consists of two stages. In the first, we scan through all factories in China, as well as a number of other factories across Asia, and categorise them based on the types of PCB they manufacture and the direction their operations are moving. In the second stage, we use a market analysis of the future needs of PCB customers.

FINDING THE RIGHT FACTORY FOR EVERY SPECIFIC CASE

– We basically look at two key aspects of the factories. Firstly, we assess how the factory performs, including quality, capacity, price, sustainability and, not least, service. Secondly, we consider their approach to collaborating with NCAB. We are interested in a close and long-term relationship – NCAB and the factory must therefore match one another in terms of business strategy.

OVERSEEING, MAINTAINING AND IMPROVING QUALITY

– Here, we take a comprehensive approach and strive to achieve continuous improvements. During the sourcing process, we check production equipment, raw materials and process control. When we begin cooperating with a factory, we continue to conduct checks on a daily basis. We also perform more comprehensive audits when we review all parts of production and summarise this analysis in an improvement plan.

ENSURING RELIABLE LOGISTICS

– Our logistics team ensures that customer deliveries are carried out on time. We use a system that enables the real-time monitoring of PCBs and whether they will be delivered at the agreed time and issues an alert if there is a risk that a delivery is delayed. Moreover, we can see trends over time for the factory, per week or month, and address any problems that arise.

SECURING SUSTAINABILITY IN OPERATIONS

– Sustainability has the same priority for us as quality. As part of the sourcing process, factories must undergo a sustainability audit and comply with our Code of Conduct.

Jack Kei is Managing Director of NCAB's Factory Management in China

> **"We seek to establish a close and long-term relationship – NCAB and the factory must therefore match one another in terms of business strategy."**

CHOOSING AND TRAINING FACTORY PERSONNEL

– We set up a dedicated team from the factory's own personnel that help us to ensure that we get the best possible quality for our customers. The team is trained by us, which produces higher quality in the final outcome.

OUR APPROACH WHEN THINGS GO WRONG

– We take two courses of action when something goes wrong – firstly we ensure minimal impact for the customer, and we then help the factory to investigate and rectify the cause of the problem. This means customers can minimise their costs at the same time as the factory can reduce its costs in the long term by improving production.

A decentralised organisation with clear values and freedom with responsibility

NCAB has a decentralised organisation with decision-making at the local subsidiary level, which is supported by central group functions. A distinctive corporate culture pervades the whole of NCAB – a conviction that the best business decisions are made close to the customer and the market.

Of NCAB's approximately 380 employees, some 20 work with central functions, while the remainder work in 17 local companies, or in the Factory Management team. NCAB does not control every aspect of the local companies: the aim is that they are to work close to the market and be sensitive to the needs of customers, receiving support as needed from the central organisation. The local companies are headed by a Managing Director and are accountable for their own performance. They are responsible for customer relationships and handling of orders and deliveries.

The central organisation is to support the business strategy and has overriding responsibility to develop systems, processes and markets. It handles issues including global sales, marketing, HR, system development, finance, quality, sustainability, Factory Management and technology. The central support functions offer the local companies an opportunity to focus on customers, products and their own operations.

CORPORATE CULTURE AND VALUES SHOW THE WAY

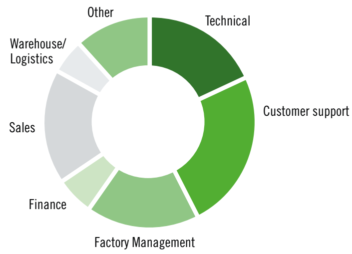
Despite the fact that NCAB operates through 17 companies with sales in 45 markets, spread across four continents, there is an established and clear corporate culture and shared values that link together employees and provide direction moving forward. NCAB's values have been developed by all employees. They are based on the premise that all employees, regardless of position, should be able to make their own decisions in line with the company's strategy. The three values that characterise NCAB are that the company always puts quality first, builds strong relationships with the people the company works and interacts with – such as customers, colleagues and factories – and that the company always assumes full responsibility for its obligations.

EXPERTISE AND ENGAGEMENT BEHIND NCAB'S SUCCESS

The expertise and engagement of employees forms the basis for NCAB's development. NCAB calls these employees specialists – and to remain a leading company in its industry it is important to retain and constantly develop the expertise and specialist know-how of the company. To this end, NCAB strives to provide a stimulating and challenging work environment where every individual is respected and included, with the long-term aim of attracting, engaging and developing the best people.

ORGANISATION

At 31 December 2018, the number of employees was 378 (354), of whom 177 (162) were women and 201 (192) were men. The average number of employees in the organisation during the period was 372 (340), of whom 174 (154) were women and 198 (186) were men.



ACTIVITIES TO ENGAGE AND DEVELOP MOTIVATED EMPLOYEES

Onboarding programme
All employees take part in the same programme during their first three months, as a means of rooting the company's processes and corporate culture. The onboarding programme clarifies what the values mean in practice for the employees' specific roles.

Leadership training
NCAB offers leadership training to all employees in senior positions. All managers must be able to motivate their employees and act as good role models.

Individual development plans
Every employee draws up, together with their manager, an individual development plan that meets both NCAB's needs for expertise and the individual employee's needs and wishes. Follow-up takes place once or twice per year.

Global HR system
To retain engagement and the strong social cohesion in the Group in a structured manner, NCAB has developed a global HR system that facilitates development, training and joint work methods.

Employee satisfaction survey
NCAB performs regular employee satisfaction surveys focusing on engagement, team efficiency and leadership.

Annual global conference
Every year, NCAB brings together all of its employees for a global conference to exchange knowledge and experience, strenghtening ties between the offices, and ensuring NCAB's shared direction moving forward.

Interviews

What's it like working at NCAB?

“

I think the development possibilities are always there.

LINDA RONG

Linda Rong has been working at NCAB in China since 2008. She started out by working in logistics within Factory Management team. She is now working in the sales organisation as a Key Account Manager.

How would you describe the culture within the NCAB Group?
– We are an international company, with offices all over the world. Different countries may have different cultures, but inside the Group we all have the same structure, supported by the Group function and Factory Management team in order to make our support to customers fast and easy. All colleagues share the same vision and values, which guide us in a clear way.

How can you describe the development possibilities within the NCAB?
– NCAB offers us a wide development platform, where everyone in the team plays an important role to influence our target. I think the development possibilities are always there.

“

When there's an issue, we involve the customer and immediately set about eradicating and resolving any issues.

BEN LOMAS-MILNE

Ben Lomas-Milne has been working at NCAB in UK since 2015. He started out as a Quality Assistant and has now become a Deputy Quality Manager. Before he began at NCAB he was working in an assembly factory for seven years.

What do you like most about working at NCAB?
– Already in my third month at NCAB, I was sent to China to visit factories. This proved to me that NCAB UK trusted me with the responsibility to represent our company even though I was still going through the on-boarding process! This highlighted to me that they follow their values! I feel like I'm valued, challenged, trusted, and every day for me is different.

How would you say that your work makes a difference for the NCAB customers?
– When there's an issue, we involve the customer and immediately set about eradicating and resolving any issues. By taking full responsibility by overturning an issue we take the worry away from the customer.

A sustainable business

Acting in a sustainable way while assuming great responsibility is an integrated part of NCAB's business model and long-term strategy. A clear sustainability strategy guides NCAB in the right direction, with the aim of realising sustainable growth and the positive changes the company wants to see in the industry.

NCAB's sustainability strategy was launched in 2014. Dialogue with the company's stakeholders together with the ISO 26000 standard form the foundation in identifying and specifying the business's long-term goals and focus areas. These include ethical, social and environmental dimensions.

NCAB's focus on taking full responsibility is important when the company develops and pursues its operations.

The company creates value for its stakeholders by conducting operations in a responsible manner in the value chain, by identifying opportunities to effect positive change and by minimising risks for adverse effects within and outside the company's areas of operation.

NCAB has divided its sustainability work into three focus areas in relation to its stakeholder groups; customers, employees and factories.

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, NCAB has decided to prepare a statutory Sustainability Report as a separate report to its Annual Report that is available to read at ncabgroup.com/se/sustainability

VISION/VALUES	**The Number 1 PCB producer – wherever we are** Quality First, Strong Relationships and Full Responsibility		
LONG-TERM GOAL	**SUPPLY CHAIN** Take full responsibility throughout the supply chain	**EMPLOYEES** Attract, keep and develop the best people	**CUSTOMERS** Steer the sector in a green direction
FOCUS AREAS	› Human rights and social conditions › Environmental conditions, focus chemicals › Conflict minerals	› Well being and work/life balance › Equal opportunities › Anti-corruption › Internal environmental work	› Sustainable product development › Transportation/green logistics › Communicating our sustainability work
MEASURABLE GOALS	○ 100% audited and approved factories (covering environmental and social conditions) ● (yellow) Continuously improve sustainability performance throughout the supply chain	○ Top scores in employee satisfaction and engagement	○ Top scores in customer satisfaction including sustainability ● (red) Continuously reduce environmental footprint
RESULT	Strong and responsible relationships with our factories, employees and customers, this to achieve sustainable business, growth and profitability for all.		

Status December 2018 ● (red) = not started/far from reached ● (yellow) = on track ● (green) = completed/reached

SUPPLY CHAIN

NCAB does not own any factories, but carefully chooses long-term partners and works closely with them to maintain and develop a sustainable business.

LONG-TERM GOAL

Take full responsibility throughout the supply chain

FOCUS AREAS

› Human rights and social conditions
› Environmental conditions, focus chemicals
› Conflict minerals

MEASURABLE GOALS

› 100% audited and approved factories
› Continuously improve sustainability performance throughout the supply chain

OUR STRENGTHS

Clear demands, strong relationships, close dialogue and cooperation, detailed sustainability audits.

GREATEST RISKS

Toxic chemicals, health and safety risks and overtime work.

GOING FORWARD

Continue our sustainability audit programme, focus on the environment, and health and safety working conditions.

Comments 2018

› The goal of 100% audited and approved main factories was achieved in 2018
› One factory was stopped in the approval process as it had no insurance for employees, while another factory was stopped for failing to pay the correct overtime remuneration
› Overtime work remains a challenge, an area where the industry still lacks a solution
› Improvements were implemented in 2018 in, for example, the handling of chemicals at factories, proper remuneration for overtime work, fire protection, inspections of evacuation routes, fire extinguishers, personal protective equipment, broadened knowledge about health and safety risks and labour rights among factory employees. Detailed information is provided in NCAB's Sustainability Report for 2018
› NCAB requires factories to report on conflict minerals according to the framework provided by the Responsible Minerals Initiative (RMI) and that subcontractors must sign and follow the Responsible Minerals Assurance Process (RMAP)
› NCAB's quality measure, High Quality Performance, reached 99.2%
› Annual external ISO 26000 audit was conducted at NCAB with excellent results

EMPLOYEES

Employees are NCAB's most valuable asset, competitive advantage and success factor. NCAB offers a unique culture and stimulating global environment as well as considerable possibilities for continuous learning and development.

LONG-TERM GOAL

Attract, keep and develop the best people

MEASURABLE GOALS

› Top scores in employee satisfaction and engagement

OUR STRENGTHS

Our culture, global working environment, continuous learning and development, and high employee engagement.

GREATEST RISKS

Failure to attract and recruit the right people and technical competence in a competitive market.

GOING FORWARD

Strengthen the company's brand and attractiveness as an employer, in addition to empowering every individual and maintaining a continuous learning culture.

Comments 2018

› Top scores in the latest employee satisfaction survey 2017, indexes for engagement (EI), leadership (LSI) and team efficiency (TEI) improved compared with 2016: EI 87 (86), LSI 86 (81), TEI 82 (78). The next employee satisfaction survey will take place in March 2019
› Continued profitable growth and 24 new employees
› Sustainability team in China continued to grow
› Competence development focus on sales, customer support, leadership and technical expertise
› Group-wide Technical Council established
› Global conference for sustainable business
› All employees given one working day to spend on a non-profit activity – the "NCAB Give Back Day"

CUSTOMERS

"Quality first" is one of NCAB's three values that guide our everyday decisions. Working together with both customers and factories, the company produces high-quality PCBs in a sustainable way by optimising design, quality assuring production and choosing the best factory for each project.

LONG-TERM GOAL

Steer the sector in a green direction

MEASURABLE GOALS

› Top scores in customer satisfaction (CSI) including sustainability
› Continuously reduce our environmental footprint

OUR STRENGTHS

Systematic work with sustainability and quality issues, close relationships and dialogue with customers and factories, PCB technology and manufacturing know-how and experience.

GREATEST RISKS

Environmental impact through transportation.

GOING FORWARD

Continued quality work in the factory, and cooperation with customers for optimised design of the PCB to reduce the environmental impact through reduced waste and resource use in production. Examine and assess transport flows and more actively offer different transportation alternatives for reduced environmental impact.

Comments 2018

› Received the "Excellence in Sustainability" award at the Electronics Industry Awards in the UK
› Score of 83 in customer satisfaction index (compared with 83 in 2017) and showed technical expertise as NCAB's main strength
› 93/100 (compared with 90/100 in 2017) for sustainability in the survey of customer satisfaction
› 119 technical and 10 sustainability seminars held for customers
› Released new videos related to sustainability and product design
› Released Design Guidelines for flex and rigid-flex technologies

Hi Jenny! Can you tell us about NCAB's sustainability audits?

Jenny Zhang is Sustainability Manager for NCAB in China and is responsible for ensuring compliance with NCAB's sustainability requirements at the factories. She is responsible for the implementation of NCAB's Code of Conduct in factories in China, for sustainability audits and for ensuring compliance with the REACH and RoHS environment frameworks. In 2018, NCAB conducted 18 audits and nine follow-up audits.

HOW DO YOU CONDUCT A SUSTAINABILITY AUDIT?

– At an initial meeting we explain the agenda and our check list, go through the time frame for our report and expected feedback from factory. We then go through all relevant documentation within sustainability, such as the sustainability policy, goals, activities, management and performance reports and improvement plans. We also review documents that regulate work in terms of salary, training and safety.

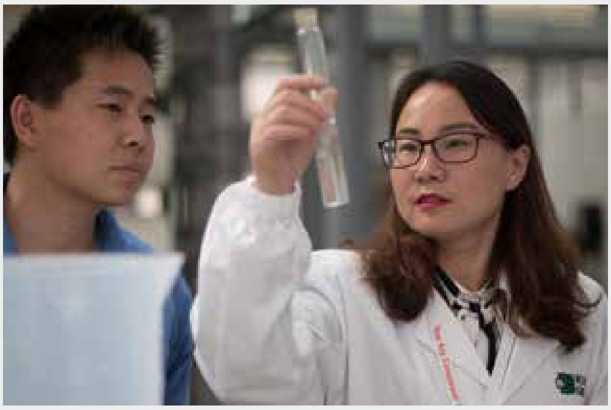
– In addition to documentation, we also check on-site at the factory, that there is no child labour, that fire safety systems are in place and work correctly, that protective equipment and first aid is available, can be used and that regular checks are documented. We verify how chemicals are dealt with, transported and stored, the management of waste and effluents as well as ventilation. We also check that other premises are clean, appropriate and sufficiently large and that the canteens have the correct permits to conduct their operations.

– We interview employees to verify the actual status of sustainability work. We ask them if they know the correct way of using protective equipment? Is the equipment properly maintained? Are chemicals handled correctly? What type of insurance are they offered by the factory? Are they aware of laws on minimum wage, working hours and so forth? We also interview senior management about their strategies, policies, organisation, goals and activities."

HOW CAN YOU BE SURE THAT YOU ARE SEEING A TRUE PICTURE?

– We go through a lot of official documents covering processes and business systems, but we are not content with that. We also check various types of protocols, for example of training courses, so we can see who has actually taken part, when and where. Moreover, we check with the employees if they have really completed the various tests and what they have learnt. As I've said, we can move freely in factories and check, for example, protective equipment ourselves. We also ask employees to demonstrate for us how they conduct different tasks. The actual status of every item on the check list is confirmed using at least two methods.

> **"In 2018, 18 audits and nine follow-up audits were conducted.**



Jenny Zhang is Sustainability Manager for NCAB in China and is responsible for ensuring compliance with NCAB's sustainability requirements at the factories.

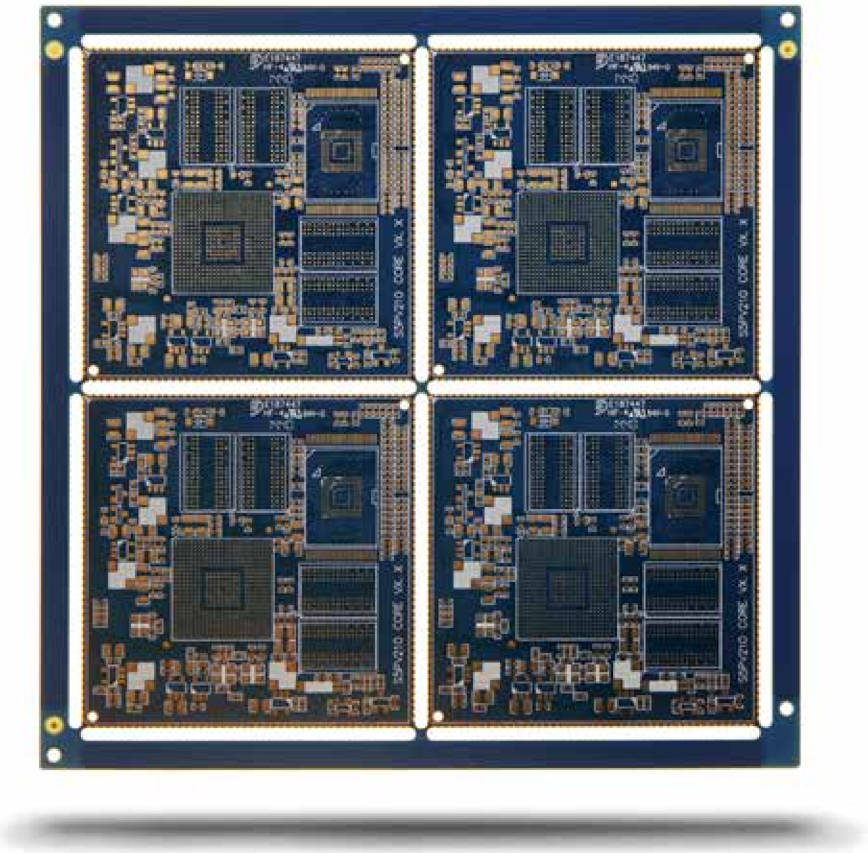
EXAMPLES OF IMPROVEMENTS INTRODUCED AT FACTORIES AFTER NCAB's AUDITS

- Introduction of a complete management system for sustainability. Risk analyses and training in the field performed.
- Child labour has not been found, but factories have needed to draw up an action plan for how they would act if this was discovered and to hold training sessions on this for all employees.
- Provided all of the employee insurance cover required by law.
- Implementation of a complete maintenance plan for all safety equipment.
- Procurement of enough sets of safety equipment for certain processes, conducted training on how to use these and checked the correct use.
- Training in the handling and storage of chemicals and check the correct handling.
- Improve the maintenance of fire safety systems and better control of equipment.
- Training in waste separation.

AREAS INCLUDED IN A SUSTAINABILITY AUDIT:

- Management system
- Human rights
- Labour and working conditions
- Health and safety
- Environment
- Business ethics

8 layer PCB, one example of a product from NCAB.



Risks

Probability (P) Impact (I)

MARKET AND EXTERNAL RISKS

Types of risk	Description	Management	P	I
Demand	The demand for PCBs is dependent on general economic conditions and the activity within relevant markets and different end-industries. Demand for the PCBs sold by NCAB is ultimately dependent on the underlying demand for the end-products in which they are used.	NCAB's products are used in a wide variety of end-industries, such as industrial, telecom, medtech, aerospace and defence. NCAB's business model has historically also proven resilient against macroeconomic fluctuations.	●	●
Competition	NCAB operates in competitive markets and customers may choose to purchase PCBs from another supplier. NCAB faces competition both from trading companies and manufacturers, on a regional, national and multi-national level. Some of NCAB's suppliers compete with NCAB through direct sales to customers.	NCAB has a robust full-service offering to both customers and manufacturers. The principal competitive factors in NCAB's business include quality and quality control, price, design and technical support, purchasing power, the range of products on offer, ability to make on-time deliveries and access to volume capability.	●	●
Capacity	Both high and low utilisation levels at manufacturers may entail risks for NCAB, either in the form of inferior product quality or that prices increase and deliveries are delayed. If a factory files for bankruptcy or chooses another direction, then NCAB's future deliveries may be threatened.	NCAB cooperates with a range of manufacturers for different levels of technology and purposes and always has at least dual-sourcing, meaning there is little dependence on individual manufacturers and that NCAB has a high level of flexibility and capacity in its offering.	●	●

OPERATIONAL RISK

Types of risk	Description	Management	P	I
Brand and reputation	NCAB may be adversely impacted if the company's reputation among its suppliers or customers deteriorates. Failure by NCAB or its suppliers to comply with ethical, social, product, labour, health and safety, environmental and other standards could damage NCAB's reputation and could lead to loss of customers or to adverse actions by NCAB's customers.	NCAB reviews its manufacturers' compliance with applicable employment, environmental and other laws, regulations and standards. NCAB can discontinue an existing collaboration, or refrain from beginning a new one, if the manufacturer does not comply with the demands made by NCAB.	●	●
Customer dependence	NCAB has a diverse customer base consisting of about 1,725 customers, spread across 45 countries and in many different industries. Despite good risk spread, NCAB is dependent on the success of, and orders from, individual customers.	NCAB is constantly striving to develop a customer base with more customers and closer collaboration. The 50 largest customers accounted for approximately 49% of the company's revenues in 2018, and the 10 largest for about 29%, which means a good risk spread.	●	●
Organisation	Being able to attract and retain qualified staff and executive management is important to NCAB's future strategy and operations. Employees with a high level of technical competence are important, at the same time as PCB expertise is on the decline as more production is transferred to Asia.	NCAB has applied a decentralised organisation where every subsidiary and employee is offered significant autonomous responsibility. On account of its global presence, NCAB offers substantial development opportunities for employees. NCAB has particular focus on education and training in all positions. Furthermore, corporate culture is an important cornerstone of NCAB's strategy, which is also reflected in the excellent results of the employee satisfaction surveys carried out.	●	●
Acquisitions	NCAB may experience difficulties completing acquisitions, integrating acquired businesses and achieving anticipated synergies. Furthermore, acquisitions could expose NCAB to other unknown liabilities.	NCAB has extensive experience of company acquisitions. All acquisition candidates are carefully assessed over long periods in order to ensure that the price is correct, and that the conditions are right for a successful integration – in particular the corporate culture, key customers and employees can be retained.	●	●
Laws and regulations	NCAB is subject to numerous international, EU, national and local laws, regulations, rules, decisions and other actions, such as trade restrictions, implemented by the authorities in the countries where NCAB operates and must observe a large number of different regulatory systems which are continuously evolving and may require additional investments by NCAB.	NCAB's local companies work closely to their respective markets and may therefore follow the developments in terms of public decisions, changes in legislation, regulations and other provisions.	●	●
IT functionality	Disruptions in the functions of NCAB's IT systems, such as disruption, cyber attacks or the IT systems not meeting relevant integration requirements from customers, could have a material adverse effect on the business. Since NCAB stores customer data, it is also highly important to follow GDPR legislation.	The management of NCAB's computer hardware is outsourced to a third party, whereas software and IT system management is handled in-house. To meet its customers' expectations, NCAB continuously monitors and upgrades its IT systems.	●	●
Decentralisation	NCAB's decentralised structure and geographic breadth expose the Group to local problems that it may fail to identify and address in a timely manner. NCAB's decentralised structure places high demands on financial reporting and internal control. Deficiencies in this regard could result in errors in the reports.	NCAB has a well defined system for the control of compliance to ensure correct financial reporting, together with the employees complying with NCAB's agreements, guidelines and policies, as well as internal credit limits.	●	●

Probability (P) Impact (I)
🟢 🟡 🔴

Types of risk	Description	Management	P	I
SUSTAINABILITY RISKS				
Environment	NCAB's main environmental risks arise from the PCB manufacturers' resource use, chemicals and waste management, emissions to water and air, and contamination of soil. Another main area is transportation; most of NCAB's carbon emissions are caused by transportation from manufacturer to customer. NCAB primarily uses air transportation as customers place high demands on quick deliveries.	NCAB has clear policies governing environmental work and assessing the risks and impact. NCAB imposes demands on, and monitors, that PCB manufacturers have identified and comply with local environmental demands and the RoHS and REACH directives. NCAB maintains close dialogue with customers and manufacturers about how the supply chain can reduce its environmental impact in the design and production phases. NCAB offers various transport alternatives (air, sea, rail, road), all with a different impact on the environment.	🟡	🟡
Human rights	In its business, NCAB can be exposed to challenges involving human rights. NCAB operates in a global environment where certain markets limit insights into human rights.	The company applies a Code of Conduct that encompass suppliers and employees, that include support and respect for human rights. NCAB has zero tolerance towards discrimination and harassment. NCAB employs working methods that provide systematic prevention and follow up, both internally and externally.	🟡	🟡
Social conditions	Shortcoming in efforts by NCAB and PCB manufacturers in work environment, health and safety, labour and work conditions may have adverse implications at an individual and company level.	NCAB imposes demands on, and monitors, that PCB manufacturers, and their own operations, have identified and comply with local demands. The company applies Codes of Conduct that encompass suppliers and employees. NCAB employs working methods that provide systematic prevention and follow-up, both internally and externally.	🟡	🟡
Corruption	Corruption is present in all countries and industries to varying degrees. NCAB and NCAB's suppliers are exposed to various ethical risks in their operations, including corruption, business ethics and bribery.	NCAB has procedures and processes in place to avoid and counteract bribery and corruption. In addition, NCAB employees and suppliers are trained using the Code of Conduct and through courses.	🟡	🟡
FINANCIAL RISK				
Currency	Exchange rate fluctuations may affect NCAB's cash flow, income statement and balance sheet and the sale prices for PCBs. The main part of NCAB's purchases and sales are made in USD. Consequently, NCAB's profits and its assets are affected by fluctuations in the price of USD compared to SEK. NCAB is also exposed to fluctuations in EUR and CNY compared to SEK.	Instead of hedging the currency exposure of cash flows, the Group's risk management policy is, as far as possible, to price and invoice goods in USD, which is also the currency used for most purchases. Approximately 85% of the Group's pricing is in USD and around 75% of the Group's invoicing is in USD. Goods purchases and shipping are 95% denominated in USD.	🟡	🟡
Tax	The businesses in NCAB's subsidiaries are run according to NCAB's understanding or interpretation of current tax laws, tax treaties, other tax laws stipulations and the requirements of the tax authorities concerned. There is a risk that NCAB's tax position could change as a result of the decisions of the tax authorities concerned or as a result of changed laws, treaties and other regulations.	NCAB's local companies work close to their respective markets and may therefore closely monitor developments in terms of public decisions, changes in legislation, regulations and other provisions.	🟢	🔴
Goodwill	NCAB's consolidated balance sheet includes significant goodwill. Changed market conditions or other factors that have an adverse impact on the acquired companies' operations may entail a risk of future impairment losses on goodwill.	For acquisitions, NCAB is careful that the acquisition price properly reflects the acquired company's future prospects. There are well-established procedures, processes and quality demands used by NCAB to minimise the risk of being overcharged for an acquisition. Impairment testing of goodwill takes place on an annual basis and if there is an indication of impairment.	🟢	🟡
Interest	NCAB is exposed to interest rate risks that could cause fair values, financial income and expenditure, cash flow and/or results to vary as a result of changes in market interest rates.	The Group's borrowing mainly uses variable interest rates. Interest-rate exposure can be reduced through the use of derivatives that convert variable interest to fixed interest.	🟢	🟢
Credit	NCAB is exposed to credit and counterparty risk. Subsidiaries within NCAB sell PCBs through contracts that are not secured by collateral or other security. In addition, the company is exposed to credit risks in relation to the financial institutions in which NCAB has deposited funds.	Each Group company is responsible for monitoring and assessing the credit risk for each new customer before offering standard terms of payment and delivery. The Group insure credit risk in subsidiaries through a credit insurance company. The use of credit limits is monitored regularly. Counterparty risk for financial assets is managed at Group level and only a small number of approved banks may be used.	🟢	🟡
Financing	NCAB may have a shortage of liquidity and may not be able to obtain loans at favourable terms, or obtain loans at all. Should NCAB fail to meet its obligations under the credit facility or breach any covenant, it could have a negative impact on NCAB.	NCAB's has a financial goal concerning a maximum debt/equity ratio. Due to its asset-light business model, NCAB has strong cash flows.	🟢	🟡

NCAB shares

In June 2018, NCAB Group was listed on Nasdaq Stockholm and just over 2,000 new shareholders were welcomed to the company.

IPO

NCAB Group was listed on Nasdaq Stockholm, Small Cap, on 5 June 2018. The price in the Offer was SEK 75 per share, which corresponded to a market value for the total number of shares in the company of SEK 1,264 million. The offering encompassed a total of 10,010,490 shares and the total number of shares after the IPO amounted to 16,847,124. In conjunction with the IPO, NCAB welcomed just over 2,000 new shareholders. Fjärde AP-fonden (AP4), Tredje AP-fonden (AP3), C WorldWide Asset Management, Länsförsäkringar Fund Management and Lazard Asset Management were cornerstone investors in the offering and acquired 3.5 million shares, corresponding to 34.8% of the total number of shares in the offering, corresponding to 20.6% of the total number of shares and votes in the company after dilution.

SHARE PRICE DEVELOPMENT

Since the IPO in June 2018, until 25 March 2019, the NCAB share has generated a total return of 49.5%. During the corresponding period, Nasdaq Stockholm's index OMX Stockholm changed by 1.29%. The highest price paid was SEK 120.98, which was noted on 25 March 2019. The lowest price paid was SEK 74.98 and was noted on 5 June 2018. The closing price at the end of the period was SEK 112.14, which corresponds to a market value of SEK 1,889 million.

SHARE CAPITAL AND ITS PERFORMANCE

On 31 December 2018, NCAB Group's share capital amounted to SEK 1.7 million distributed between 16,847,124 shares with a quotient value of SEK 0.01 per share. According to the Articles of Association, share capital is to be a minimum of SEK 1,500,000 and a maximum of SEK 6,000,000 distributed between a minimum of 15,000,000 share and a maximum of 60,000,000 shares.

The table below sets forth the changes in the share capital of NCAB for the period covered by the historical financial information and up to the first day of trading in the company's shares.

WARRANTS, CONVERTIBLES AND SO FORTH

In conjunction with the IPO in June 2018, NCAB had an option programme for executive management and other employees. All warrants were exercised to subscribe for 102,000 new ordinary shares. NCAB currently has no option programmes outstanding.

DIVIDEND POLICY AND PROPOSED DIVIDEND

NCAB intends to distribute available cash flow, after taking into account the company's indebtedness as well as future growth opportunities, including acquisitions. The dividend is expected to correspond to at least 50% of net profit. For the full-year 2018, the Board of Directors proposes a dividend of SEK 4.50 per share (totalling SEK 75.8 million), corresponding to 73% of profit after tax.

NCAB AS INVESTMENT

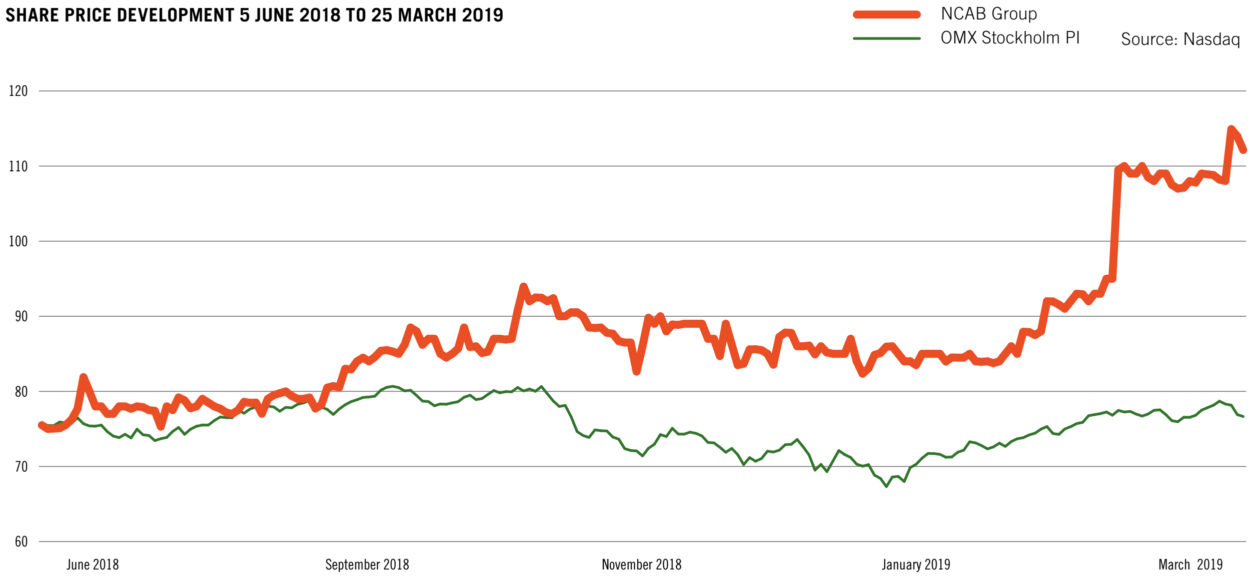
- Strong position in a market with stable growth and fundamental trends benefiting PCB suppliers
- Unique proposition to customers and manufacturers
- Long track record of profitable growth with resilience to macroeconomic shifts
- Asset-light business model with strong cash flows
- Experienced management team with many years of experience of managing a company with growth and good profitability

OWNERSHIP STRUCTURE AT 31 DECEMBER 2018

The number of shareholders in NCAB amounted to 1,103 according to Euroclear Sweden AB at 31 December 2018. NCAB's ten largest owners held shares corresponding to 64.3% of both votes and capital in the company. Foreign owners amounted to about 16.3% at 31 December 2018.

Date for registration	Event	Change in number of shares	Total number of shares	Change in share capital (SEK)	Total share capital (SEK)
30 January 2016	Exercise of options	18,000	1,496,779	18,000	1,496,779
24 May 2017	Exercise of options	8,400	1,505,179	8,400	1,505,179
13 July 2017	Exercise of options	5,700	1,510,879	5,700	1,510,879
18 October 2017	Exercise of options	1,800	1,512,679	1,800	1,512,679
13 April 2018	10:1 share split	13,614,111	15,126,790	–	1,512,679
24 April 2018	Exercise of options	285,000	15,411,790	28,500	1,541,179
8 June 2018	Conversion of preference shares to ordinary shares	–	15,411,790	–	1,541,179
8 June 2018	Exercise of options	102,000	15,513,790	10,200	1,551,379
8 June 2018	Issue of new shares	1,333,334	16,847,124	133,333	1,684,712

SHARE PRICE DEVELOPMENT 5 JUNE 2018 TO 25 MARCH 2019



THE TEN LARGEST OWNERS

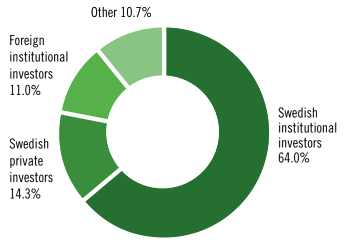
Owners	Number of shares	Capital	Votes
R12 Kapital	3,885,155	23.1%	23.1%
Norron Fonder	1,207,186	7.2%	7.2%
Fourth Swedish National Pension Fund (AP4)	1,042,931	6.2%	6.2%
Hans Ståhl	873,860	5.2%	5.2%
Länsförsäkringar Fonder	746,551	4.4%	4.4%
C WorldWide Asset Management	700,000	4.2%	4.2%
Third Swedish National Pension Fund (AP3)	666,667	4.0%	4.0%
Swedbank Robur Fonder	650,000	3.9%	3.9%
Gogoy AB (100% owned by Christian Salamon)	549,315	3.3%	3.3%
Cliens Fonder	515,000	3.1%	3.1%
Total	**10,836,665**	**64.3%**	**64.3%**

OWNERSHIP DISTRIBUTION BY HOLDING

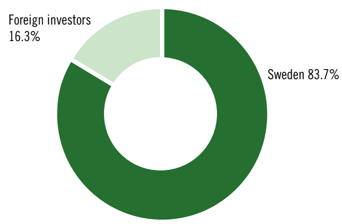
Size of share-holding	Number of shares	Capital	Votes	Number of known owners	Share of known owners
1–1,000	201,863	1.2%	1.2%	953	86.4%
1,001–10,000	363,850	2.2%	2.2%	94	8.5%
10,001–50,000	552,407	3.3%	3.3%	22	2.0%
50,001–100,000	464,881	2.8%	2.8%	7	0.6%
100,001–500,000	4,011,885	23.8%	23.8%	17	1.5%
500,001–1,000,000	4,701,393	27.9%	27.9%	7	0.6%
1,000,001 –	6,135,272	36.4%	36.4%	3	0.3%
Anonymous ownership	415,573	2.5%	2.5%		
Total	**16,847,124**	**100.0%**	**100.0%**	**1,103**	**100.0%**

The information above refers to 31 December 2018. Source: Modular Finance.

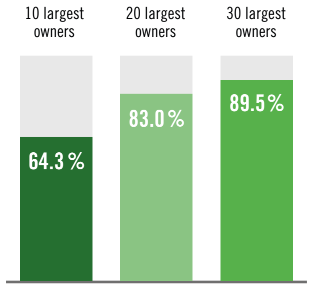
OWNERSHIP TYPE, % OF CAPITAL



OWNERSHIP DISTRIBUTION BY COUNTRY, % OF CAPITAL



CONCENTRATION, OWNERSHIP



Board of Directors

1. CHRISTIAN SALAMON
Born 1961. Chairman since 2007.

Education: M.Sc. in Engineering Physics from the KTH Royal Institute of Technology, Stockholm and an MBA from Harvard Business School, Boston, USA.

Other current assignments: Chairman of OSM Holding AB, Board member of Oriflame Holding AG and Altor Fund Manager AB, and advisor to eEquity. Board member of the Sweden-America Foundation.

Shareholding: 549,315 shares via the 100% owned Gogoy AB.

Independent: Independent in relation to the company and its executive management and independent of the company's main owners.

2. JAN-OLOF DAHLÉN
Born 1942. Board member since 2007.

Education: M.Sc. in Engineering from the Chalmers University of Technology in Gothenburg and a M.Sc. in Business and Economics from the Gothenburg School of Business, Economics and Law and has studied at the Carnegie Mellon University in the USA.

Other current assignments: Chairman of Millistream Market Data AB and Magic Formula Sweden AB.

Shareholding: 60,000 shares.

Independent: Independent in relation to the company and its executive management and independent of the company's main owners.

3. PER HESSELMARK
Born 1971. Board member between 2007 and 2010, and returned to the Board in 2016.

Education: M.Sc. in Business and Economics from the Stockholm School of Economics.

Other current assignments: Chairman of MEW-AB Holding AB and Nimbus Boats Sweden AB, as well as Board member of Aditro Group AB and OSM Holding AB.

Shareholding: No own shares but holds 10.1% of shares and 35.7% of votes in R12, which owns 3,899,970 shares corresponding to 23.15% of the capital in NCAB.

Independent: Independent in relation to the company and its executive management and dependent of the company's main owners.

4. MAGDALENA PERSSON
Born 1971. Board member since 2017.

Education: M.Sc. in Business Administration and a Licentiate of Economics and Management from Linköping University.

Other current assignments: Chairman of Candidator DGC AB, owner and Board member of Myrtel Management AB as well as Board member of Intrum (publ).

Shareholding: 2,000 shares.

Independent: Independent in relation to the company and its executive management and independent of the company's main owners.

5. HANS RAMEL
Born 1964. Board member since 2007.

Education: M.Sc. in Business and Economics from the Stockholm School of Economics.

Other current assignments: Board member of af Jochnick Foundation, Twilfit AB, Aditro Group AB and OSM Holding AB.

Shareholding: No own shares but holds 10.7% of shares and 36.0% of votes in R12, which owns 3,899,970 shares corresponding to 23.15% of the capital in NCAB.

Independent: Independent in relation to the company and its executive management and dependent of the company's main owners.

6. GUNILLA RUDEBJER
Born 1959. Board member since 2017.

Education: M.Sc. in Business and Economics from the Stockholm School of Economics.

Other current assignments: Board member of Ambea AB (publ), Oriflame Holding AG and OptiGroup.

Shareholding: 6,666 shares.

Independent: Independent in relation to the company and its executive management and independent of the company's main owners.

7. HANS STÅHL
Born 1955. Board member and CEO since 2007.

Education: –

Other current assignments:

Shareholding: 873,860 shares.

Independent: Dependent in relation to the company and its executive management and independent of the company's main owners.

The information pertaining to shareholdings refers to 31 December 2018.

Group management

HANS STÅHL

Born 1955. CEO since 2004, Board member since 2007.

Education: –

Other current assignments: –

Shareholding: 873,860 shares.

ANDERS FORSÉN

Born 1962. CFO since 2008.

Education: B.Sc. in Business Administration and Finance from Linköping University.

Other current assignments: –

Shareholding: 340,000 shares.

ANNA LOTHSSON

Born 1977. Sustainability Manager since 2013.

Education: B.Sc. in Electrical Engineering and Economics from the KTH Royal Institute of Technology, Stockholm and a Graduate Certificate in Marketing from the University of Wollongong, Australia.

Other current assignments:
Deputy Board member of Leafnode AB.

Shareholding: 46,900 shares.

CHRIS NUTTALL

Born 1973. COO since 2009.

Education: M.Sc. in Quality Management and a B.Sc. in Technology & Management from Paisley University, United Kingdom.

Other current assignments: –

Shareholding: 18,290 shares.

EVA HOLM

Born 1962. Global HR Manager of NCAB since 2015 on a consultancy basis.

Education: M.Sc. in Business and Economics from Stockholm University.

Other current assignments:
Owner of Sparkle More AB.

Shareholding: 400 shares.

MAGNUS JACOBSSON

Born 1975. IT Manager since 2005.

Education: –

Other current assignments: –

Shareholding: 53,000 shares.

MICHAEL LARSSON

Born 1968. Vice President Sales since 2017.

Education: –

Other current assignments:
Deputy Board member of Coaching & Motivation Scandinavia AB.

Shareholding: 41,410 shares.

GUNILLA ÖHMAN (not included in the photograph)

Born 1959. IR Manager of NCAB since 2018 on a consultancy basis.

Education: MBA from the Stockholm School of Economics.

Other current assignments: Owner of Gunilla Wikmans enskilda firma (sole proprietorship). Board member of Hoist Finance AB (publ) and Carrara Communication AB as well as deputy Board member of Tiferna AB.

Shareholding: 4,000 shares.

MARTIN MAGNUSSON

Born 1976. Managing director of NCAB Group USA Inc. since 2017.

Education: MBA from Växjö University.

Other current assignments: –

Shareholding: 135,000 shares.

RIKARD WALLIN

Born 1972. Managing director of NCAB Group Sweden AB since 2011.

Education: Corporate Management Program at the Swedish Institute for Management (IFL) at the Stockholm School of Economics, and studied Strategic Management & Leadership at the Chartered Management Institute, United Kingdom.

Other current assignments: Owner of Rikard Wallin Enterprises (sole proprietorship).

Shareholding: 25,500 shares.

HOWARD GOFF

Born 1962. Managing director of NCAB Group UK since 2010.

Education: HND in Aerospace Engineering from the University of West England, United Kingdom.

Other current assignments: –

Shareholding: 24,000 shares.

The information pertaining to shareholdings refers to 31 December 2018.

Corporate governance

NCAB views sound corporate governance as an important foundation on which to build a trusting relationship with shareholders and other important parties. The Swedish Corporate Governance Code, which is applied by NCAB, aims to create a good balance between shareholders, the Board of Directors and senior management. Reasonable corporate governance, with a high standard in respect of transparency, reliability and ethical values, is a guiding principle for NCAB.

NCAB's shares are traded on Nasdaq Stockholm and therefore apply, in addition to the rules of the Swedish Companies Act (2005:551) and the Swedish Annual Accounts Act (1995:1554), the Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code (the "Code") as well as other Swedish and foreign laws and regulations, where relevant. The Code defines a norm for corporate governance on a higher level of ambition than the Swedish Companies Act and other regulations' minimum requirements. The Code is based on the principle of "comply or explain." It means that the company must not, at every occasion comply with every rule of the Code, but may choose other solutions that are deemed to better respond to the circumstances in the individual case. Provided that the company openly reports every such non-compliance, describes the alternative solution chosen and states the reasons for this.

COMPLIANCE WITH THE SWEDISH CORPORATE GOVERNANCE CODE

No violations of applicable rules and regulations occurred in 2018 and NCAB's operations were conducted in accordance with good practice in the equities market. The company has not deviated from the Code.

SHARES AND SHAREHOLDERS

NCAB's shareholders' register is maintained by Euroclear Sweden AB. On 31 December 2018, NCAB had 1,103 shareholders according to the shareholders' register and the total number of shares was 16,847,124, all with one vote each. More about NCAB's shares and its shareholders can be found in the section of the NCAB share on page 36.

ARTICLES OF ASSOCIATION

According to the Articles of Association, the registered name of the company is NCAB Group AB (publ) and the financial year is the calendar year, 1 January to 31 December. To view the Articles of Association in its entirety, which in its current form was approved at the General Meeting on 14 March 2018, refer to the company's website www.ncabgroup.com, under the section Investors/Corporate Governance/Articles of Association.

GENERAL MEETING

The General Meeting is NCAB's highest decision-making body and can resolve upon every issue for the company, which is not specifically reserved for another company body's exclusive competence. At the Annual General Meeting, which shall be held within six months from the end of the financial year, shareholders exercise their voting rights on issues, such as the adoption of income statement and balance sheet, allocation of company's profit or loss, resolutions to discharge the members of the Board of Directors and the CEO from liability for the financial year, the appointment of members of the Board of Directors and auditor as well as remuneration for the Board of Directors and the auditor. At Annual General Meetings, at least one member of the Nomination Committee, the company's auditor and, to the extent possible, all other members of the Board of Directors, shall participate.

In accordance with the Articles of Association, notice to convene the General Meeting shall be published in Post- och Inrikes Tidningar (the Swedish Official Gazette) and be kept available at the company's website. An announcement shall be placed in Svenska Dagbladet with information that the Meeting has been convened. In addition to the Annual General Meeting, Extraordinary General Meetings can be convened. The Chairman of the Board of Directors, as many other members of the Board of Directors as possible and the CEO shall be present at Extraordinary General Meetings of the company.

RIGHT TO ATTEND GENERAL MEETINGS

All shareholders who are registered directly in the share register kept by Euroclear Sweden AB ("Euroclear"), five weekdays prior to the General Meeting and who has notified the company of their intention to attend the General Meeting at the latest by the date specified in the notice convening the Meeting shall be entitled to attend the General Meeting and vote according to the number of shares they hold. Shareholders may attend General Meetings in person or through a proxy, and may also be accompanied by not more than two assistants.

SHAREHOLDER INITIATIVES

Shareholders who wish a matter to be discussed at the General Meeting must submit a written request to the Board of Directors. Requests must normally be received by the Board of Directors seven weeks prior to the General Meeting.

ANNUAL GENERAL MEETING 2018

The Annual General Meeting on 14 March 2018 adopted the income statement and balance as well as the allocation of the company's earnings. Decisions were also taken to grant discharge from liability for the Board of Directors and CEO, to elect Board members, auditors and on the remuneration of the Board of Directors. In view of the company's plans for an IPO, a decision was also approved for a 10:1 share split and the adoption of the new Articles of Association. Furthermore, a decision was approved to change share class with the result that the company can solely issue ordinary shares. In addition, the Board of Directors was authorised to resolve on an increase in the company's share capital through new share issues.

ANNUAL GENERAL MEETING 2019

NCAB's Annual General Meeting 2019 will be held on Monday, 13 May, at NCAB's offices in Bromma. For further information about the Annual General Meeting 2019, see page 90 and NCAB's website www.ncabgroup.com.

NOMINATION COMMITTEE

The Annual General Meeting on 14 March 2018 resolved to appoint a Nomination Committee. The Nomination Committee shall comprise representatives of the five largest shareholders according to Euroclear's register on the final banking day in August 2018. The Chairman of the Board of Directors shall be a member of the Nomination Committee. The Nomination Committee appoints the Chairman of the Committee. If a representative leaves the Nomination Committee or in case of an ownership change, it means that a represented shareholder no longer belongs to the largest shareholders, the composition should be changed according to the Nomination Committee's resolution if the Nomination Committee finds it appropriate. The composition of the Nomination Committee should be published as soon as the representatives and the Chairman of the Nomination Committee have been appointed. No remuneration should be paid for work in the Nomination Committee.

The Nomination Committee is tasked with presented proposals for:

- Chairman of the Annual General Meeting;
- Members of the Board of Directors, Chairman of the Board of Directors and auditor;
- Director's fee divided between the Chairman and other members of the Board of Directors;
- Fees for work on the Board of Directors' committees;
- Fees to be paid to the auditors; and
- Nomination Committee for the next General Meeting

In accordance with the General Meeting's decision, the following individuals were appointed to the Nomination Committee: Per Hesselmark, R12 Kapital, Jannis Kitsakis, Fourth Swedish National Pension Fund, Sofia Aulin, Länsförsäkringar, Gunnar Blix, Third Swedish National Pension Fund and Christian Salamon, Chairman of the Board. The composition of the Nomination Committee was announced in a press release on 25 September 2018. Jannis Kitsakis was appointed Chairman of the Nomination Committee.

The Nomination Committee has, prior to the 2019 Annual General Meeting, held four minuted meetings, where all members were present, and also maintained informal contact. The Nomination Committee has interviewed a selection of the independent and dependent Board members. The Nomination Committee also received a presentation of the Board's own evaluation of its work, an evaluation that used the services of a third party. Particular attention has been devoted to the Board of Directors' composition and how the Board of Directors performed as a group and the Nomination Committee has discussed the evaluation of the Board of Directors' work. The Nomination Committee has also discussed and assessed remuneration of the Board of Directors and compared this to remuneration in comparable companies.

Information has been available on NCAB's website about how shareholders have been able to submit proposals to the Nomination Committee. The Nomination Committee has not received any proposals from shareholders.

On the issue of the composition of the Board of Directors, the stipulations in Item 4.1 of the Code were applied as the diversity policy.

The Nomination Committee's proposal to the 2019 Annual General Meeting will be presented in connection with the official notification and made available on NCAB's website.

BOARD OF DIRECTORS

The Board of Directors is the highest decision-making body after the General Meeting and also the highest executive body. The responsibilities of the Board of Directors are primarily set forth in the Swedish Companies Act, the Swedish Annual Accounts Act, the company's Articles of Association, instructions given by the shareholders at the General Meeting and the rules of procedure for the Board of Directors. In addition thereto, the Board of Directors shall comply with the Code and Nasdaq Stockholm's Rule Book for Issuers, as well as other Swedish and foreign laws and regulations, as applicable.

The Board of Directors is responsible for the organisation of the company and management of the company's business operations in accordance with the Swedish Companies Act. The rules of procedure for the Board of Directors, which have been adopted by the Board of Directors and are reviewed annually, govern the division of work and responsibilities among the Board of Directors, its Chairman and the CEO. The Board of Directors also adopts instructions for the committees of the Board of Directors and an instruction for the CEO, as well as an instruction for financial reporting.

The Board of Directors' tasks include adopting strategies, business plans and budgets, interim reports, year-end financial statements and annual reports and setting instructions, policies and guidelines. The Board of Directors is also required to follow economic developments and ensure the quality of financial reporting and internal controls and evaluate operations on the basis of the objectives and guidelines set by the Board of Directors. Finally, the Board of Directors decides on the company's major investments and changes in the organisation and activities.

The Chairman of the Board of Directors is in charge of the work of the Board of Directors and is responsible for ensuring that the Board fulfils its obligations in accordance with applicable laws and regulations and that the work is carried out efficiently and according to the Board's rules of procedure. The Chairman is to ensure that the Board of Directors' resolutions are implemented, that the Board of Directors receives necessary information punctually to perform its assignment and that the Board of Directors continuously deepens its knowledge about the company and its operations. The Chairman is also responsible for ensuring that the work of the Board is assessed every year. The Chairman represents the Board of Directors in relation to the shareholders of the company.

Members of the Board of Directors are appointed annually by the General Meeting for the period until the end of the next Annual General Meeting. According to the company's Articles of Association, the Board of Directors shall consist of a minimum of three members and a maximum of ten members appointed by the General Meeting, without deputy members.

AUDIT COMMITTEE

The Board of Directors has appointed an Audit Committee in accordance with the Swedish Companies Act. According to the Swedish Companies Act, members of the Audit Committee may not be employed by the company and at least one member of the Audit Committee shall hold accounting or audit competence. The Audit Committee consists of three members, Gunilla Rudebjer

(Chairman), Hans Ramel and Christian Salamon, all of whom are independent to the company and its executive management. Gunilla Rudebjer and Christian Salamon are also independent of the company's major shareholders.

The Audit Committee is responsible for monitoring the company's financial reporting, risk management and internal control, as well as accounting and auditing. The Audit Committee also reviews and monitors the auditors' impartiality and independence, other services provided by the company's auditors and assists the company's Nomination Committee with the preparation of proposals for election of auditors. The members of the Audit Committee possess competence and experience within accounting, auditing and/or risk management allowing them to fulfil the obligations of the Committee. During the year, the Audit Committee held seven meetings, of which four with the participation of the company's auditor. The main focus for the Committee's work during the year has been on the financial reporting, new accounting standards, risk monitoring and internal controls as well as audit issues.

REMUNERATION COMMITTEE

The Board of Directors has appointed a Remuneration Committee. According to the rules of procedure for the Board of Directors, a member serving on the Remuneration Committee may not be employed by the company or any other company within the Group. The members shall be independent of the company and its executive management. At least one of the members of the Remuneration Committee is also to be independent of the company's major shareholders. The Chairman of the Board of Directors shall chair the Committee. The Remuneration Committee consists of three members: Christian Salamon (Chairman), Magdalena Persson and Per Hesselmark. All members are independent of the company and its executive management, Christian Salamon and Magdalena Persson are also independent of the company's major shareholders.

The Remuneration Committee's main tasks are to prepare the Board of Directors' decisions on issues concerning, among other things, terms of employment and compensation to the executive management. The Renumeration Committee shall produce a compensation policy to presented to the Board of Directors. Furthermore, the Remuneration Committee shall prepare documentation in certain remuneration matters of principal nature or otherwise of significant importance. For example, stock option programmes, profit sharing systems, monitoring and evaluation of the application of the guidelines for remuneration that the Annual General Meeting is legally obliged to establish, as well as the current remuneration structures and levels in the company. The Remuneration Committee held one meeting during the 2018 financial year. The main purpose of this meeting was to prepare the question of adjusting management's salaries for 2018.

CEO AND EXECUTIVE MANAGEMENT

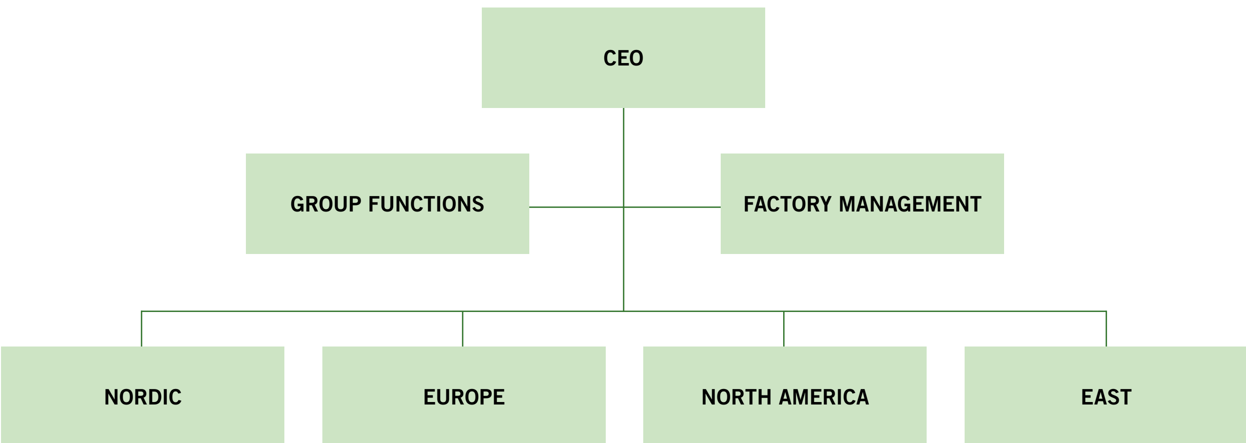
The CEO reports to the Board of Directors. The CEO's responsibility is governed by the Swedish Companies Act. Also the Swedish Annual Accounts Act, the company's Articles of Association, instructions given by shareholders at the General Meeting, the instruction for the CEO and other internal instructions and guiding principles adopted by the Board of Directors, as well as other Swedish and foreign laws and regulations, as applicable. In addition thereto, the CEO must comply with the Code and Nasdaq Stockholm's Rule Book for Issuers.

According to the Swedish Companies Act, the CEO shall handle the day-to-day management pursuant to the Board of Directors' guidelines and instructions. In addition, the CEO shall take any measures necessary in order for the company's accounts to be maintained pursuant to law and that the management of funds is conducted in an appropriate manner. The division of work between the Board of Directors and the CEO is described in the instruction for the CEO.

The CEO shall administrate the operative management and execute the resolutions passed by the Board of Directors. The CEO is responsible to present the matters to be dealt with by the Board of Directors according to applicable legislation, the Articles of Association and internal instructions. The Chairman of the Board of Directors is also to be kept informed about the company's operations, its earnings and financial position, as well as any other events, circumstances or conditions that cannot be assumed to be irrelevant to the Board of Directors or the shareholders.
The operating activities are controlled in four segments, Nordic, Europe, East and North America together with staff functions for economy/finance, sales/market, sustainability, IT and HR. The CEO and executive management are presented in greater detail in the Management section on page 40.

WORK OF THE BOARD IN 2018

According to the rules of procedure for the Board of Directors, the Board shall, in addition to one statutory meeting, meet six times per year and also when the situation requires. At one of the meetings, the Board of Directors shall address the Group's strategic direction, risks and business plan. In accordance with the rules of procedure,



Member	Elected	Born	Attendance Board meetings	Audit Committee	Remuneration Committee	Independent of company	Independent of major shareholders	Total remuneration
Christian Salamon (Chairman)	2007	1961	12 (12)	7 (7)	1 (1)	Yes	Yes	762,500
Jan-Olof Dahlén	2007	1942	11 (12)			Yes	Yes	350,000
Per Hesselmark [1)]	2016	1971	11 (12)		1 (1)	Yes	No	375,000
Magdalena Persson	2017	1971	12 (12)		1 (1)	Yes	Yes	425,000
Hans Ramel	2007	1964	12 (12)	7 (7)		Yes	No	400,000
Gunilla Rudebjer	2017	1959	12 (12)	7 (7)		Yes	Yes	600,000
Hans Ståhl [2)]	2007	1955	12 (12)			No	Yes	–

1) Per Hesselmark was also Board member in 2007–2010. 2) Remuneration is not paid to members who are employed by NCAB.

the Board of Directors is to meet the company's auditor at least once per year without the presence of company management, to assess the work of the Board of Directors and evaluate the CEO.

Board meetings usually begin with a discussion about the business and the company's financial performance. Financial statements and the Annual Report are reviewed and approved prior to publication. Other issues discussed at Board meetings include; general strategy issues, general business issues, potential acquisitions, long and short-term targets, HR issues, compliance with policies and laws as well as remuneration models. At what is normally the last meeting of the year, the CEO and CFO present the budget for the forthcoming year. The budget is discussed and, following any adjustments, approved. In connection with this meeting, presidents from several of the company's subsidiaries are invited to present developments in their respective markets. The company's CFO is normally always invited to attend the Board meetings and is responsible for keeping minutes. Other members of the company's management are invited to present issues concerning their areas of responsibility. In 2018, NCAB's Board of Directors paid particular attention to issues related to the company's IPO, the long-term business plan, new accounting standards, risk management and internal control.

12 Board meetings were held in 2018, of which seven were ordinary and five extra. The extra Board meetings primarily dealt with resolutions in conjunction with the company's IPO on 5 June 2018.

Board members' attendance and remuneration are presented in the table above.

RISK MANAGEMENT

The Group's finance department works with the Group's operating units to identify and evaluate financial and operational risks. Risk governance pertaining to operations, where the most important risks concern quality risk, are continuously monitored within the scope of the governing process, and internal and external ISO audits. Risk management is handled by the Group's quality department and in accordance with policies approved by the Board of Directors. A risk evaluation in accordance with the COSO model is conducted on an annual basis where risks are identified and controls performed. Both operational and financial risks are tested internally through self-monitoring and these are followed up by the Audit Committee. Some of the self-monitoring, which is carried out by subsidiaries, is also followed up by the company's external auditors.

The Group's financial policy for financial risk management has been formulated by the Board of Directors and provides a framework of guidelines and rules in the form of a risk mandate for financial activities. The overall aim of the finance function is to ensure that the financial risks are optimised to a risk level that gives the shareholders a good return, within the framework of the risk mandate provided by the Board of Directors. Risk management is handled by the Group's finance department and in accordance with policies approved by the Board of Directors.

NCAB's risk management process also includes drawing up of the annual business plan, which contains an analysis of trends, business opportunities and risks at local office and Group level (SWOT) and that enables an assessment and swift reaction to changes in social, environmental and legal requirements. Each process owner is responsible for the ongoing evaluation, development and implementation of risk control methods and processes.

For more about risks and risk management, see pages 34–35.

INTERNAL CONTROL

The Board of Directors and the CEO are ultimately responsible for ensuring that internal controls are developed, communicated to and understood by the employees of the company who undertake the individual control activities, and that the control activities are monitored, enforced, updated and maintained. Managers at all levels are responsible for ensuring that internal controls are established within their own area and that these controls achieve the desired effect.

The procedures for internal control, risk assessment, control activities and monitoring with respect to the financial reporting have been designed to ensure reliable overall financial and external financial reporting in accordance with IFRS, applicable laws and regulations as well as other requirements, which may apply to companies listed on Nasdaq Stockholm. This work involves the Board of Directors, the executive management and other personnel.

The way in which the Board of Directors monitors and ensures quality in the internal control is documented in the adopted rules of procedures of the Board of Directors and the instructions for the Audit Committee.

NCAB uses an internal control model based on the three lines of defence model.

- The first line of defence consists of the company's operational activities. The existing operational and business activities within management and support functions across all business units are carried out in accordance with procedures designed to fulfil the company's requirements on internal control. Process owners, along with other employees within NCAB, have roles which are clearly defined and also have clear responsibilities and direction in terms of policies, procedures, and strategies, which are necessary to achieve business goals. Self-assessments are carried out to determine the status and functionality of risks and associated controls. This work is controlled within the scope of the company's ISO system.

- The second line of defence consists of the company's internal monitoring of controls. Monitoring, coordination and consolidation of reported results are completed and compiled within a risk and control matrix where evidence-based evaluation of design and operational risk control effectiveness is considered. In addition, there is a coordination of activities to provide improved risk management and to ensure that the company complies with risk management, governance policies and procedures – covering legal and financial perspectives as well as security and risk management perspectives.
- The third line of defence consists of NCAB's Audit Committee. Internal self-assessments, together with the company's planned external ISO evaluations, are used so that an overall picture is obtained in connection with evaluation and improvement of the risk management system. The self-assessments are reviewed and assessed by the accounting function, the auditors and the Audit Committee in order to ensure correct risk management and accounting. The compliance report from the external ISO evaluation will be presented for the Audit Committee, the Board of Directors and the CEO.

The CEO and the executive management are responsible for the first line of defence. The responsibility for the second line of defence is shared between the CEO, the executive management, the Board of Directors and the Audit Committee. The third line of defence falls within the CEO's and the Board of Directors' responsibility. In addition, NCAB's external auditors review the Group's internal controls as part of their annual audit.

INTERNAL AUDIT

The Board of Directors has resolved not to establish any separate function for the internal audit as the company believes the business systems, in terms of risk and quality, as well as financial function and monitoring by the Audit Committee, with regard to financial internal control, satisfy the requisite control and follow-up.

POLICIES

The company has established a number of policies and control documents that are approved annually by the Board of Directors. Both policies and control documents are managed in the company's ISO system to ensure uniform and simple handling. The following policies and governing documents are approved by the Board of Directors:

- Instruction for financial reporting
- Finance Policy
- Corporate governance policy
- Accounting and Finance policy
- Information policy
- Insider policy
- Information security policy
- IT policy
- HR policy
- Environmental policy
- Sustainability policy
- Health and safety policy
- Code of Conduct
- Supplier Code of Conduct

AUDIT

Öhrlings PriceWaterhouseCoopers, with Ola Salemyr as Auditor-in-Charge, was elected at the Annual General Meeting on 14 March 2018. The auditor shall audit the company's annual report and accounts, the consolidated annual report and the consolidated companies' interrelations, as well as the management by the Board of Directors and the CEO. Following each financial year, the auditor shall submit an audit report to the Annual General Meeting. Pursuant to the company's Articles of Association, the company shall have one auditor, and not more than one deputy auditor. For remuneration of auditors, see Note 10 on page 63. In connection with the adoption by the Board of the year-end accounts for 2018, the Board of Directors has conducted an examination and received reports from the company's external auditors. On this occasion, the Board also held a meeting with the auditors without the presence of the CEO or others from company management.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in NCAB Group AB (publ), corporate identity number 556733-0161

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2018 on pages 42–46 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.

Stockholm, 3 of april, 2019

Öhrlings PricewaterhouseCoopers AB

Ola Salemyr
Authorized Public Accountant

Directors' Report

The Board of Directors and the CEO of NCAB Group AB (publ), with the postal address Mariehällsvägen 37A, SE-168 65, Bromma, Corporate Registration Number 556733-0161, hereby submit the Annual Report and consolidated financial statements for the 2018 financial year. Comparative figures in parentheses pertain to the preceding year. The financial statements are presented, in SEK thousands (kSEK), which means rounding differences may arise.

OPERATIONS

NCAB Group ("NCAB", "the company" or "the Group") is a leading maker of printed circuit boards (PCBs) with a local presence in 17 countries and customers in 45 global markets. At year-end 2018, NCAB had approximately 1,725 customers and 378 employees.

NCAB's vision is to be the leading PCB supplier wherever the company operates. Growth is important for NCAB Group – the company wants to grow with its customers in existing and new markets.

PCBs are an important and complex component of electronic products. The company's business concept is to provide defect-free printed circuit boards for demanding customers, at the right time and at the lowest overall cost. The goal is to help our customers become as competitive as possible and minimise their time to market by providing PCBs in a sustainable manner with the help of the company's expertise, product quality and delivery precision. To ensure compliance with its high standards in these areas, the company has established a department which regularly monitors and quality-assures all selected manufacturers.

MARKET

NCAB is one of the world's leading suppliers of printed circuit boards. The global market for PCBs has annual sales exceeding USD 60 billion and growth of approximately 3–4% per year. NCAB focuses on PCBs for the High-Mix Low-Volume segment (HMLV), which represents approximately 30% of the global market. NCAB's growth is also driven by the continuing transfer of PCB production from Europe and North America to Asia.

NCAB takes overall responsibility for supplying its customers with high-quality PCBs at the right price. NCAB does not own any factories, but thanks to local sales companies and Factory Management team, it "owns" the most important elements: the entire manufacturing process as well as the relationships with the customer and the factory. This gives NCAB access to the best technology without being dependent on factory investments.

OPERATING SEGMENTS

NCAB's operations are conducted on the basis of four operating segments; Nordic, Europe, North America and East. Each segment provides a broad range of PCBs to the geographical markets in which it operates. The PCBs are purchased from external suppliers, mainly in China. Most of the PCBs are of the HMLV type, i.e. specialised products that are produced in small quantities. NCAB has a local presence through technicians and customer support staff to ensure that its customers receive support throughout the process.

GROWTH

For full-year 2018, net sales increased 15% to SEK 1,617.0 million (1,400.1). Underlying growth in USD was approximately 14%. The USD exchange rate had an adverse impact on growth during the first half of the year, but made a positive contribution during the second half of the year. Growth was favourable in the Nordic, Europe and East segments while sales decreased slightly in North America. Growth was strongest in Europe and East and exceeded 20%. The underlying market was strong during the year, at the same time as NCAB gained market shares in many countries, mainly in Europe and East. Order intake grew during the year by 10%, while growth in USD was 8%.

OPERATING PROFIT

Operating profit increased to SEK 127.6 million (65.6). The improvement was due to increased sales combined with an increase in gross margin to 31.3% (30.2). Operating profit was also positively impacted by lower non-recurring costs related to preparations for the IPO of SEK 10.7 million (11.6) and the settlement with the Russian tax authority of SEK 0.9 million (31.9). The Group continued recruiting during the year with the aim of creating future growth. Most new members of staff were recruited in Europe and East, which had a short-term adverse impact on results for these segments.

Adjusted EBITA increased 26% to SEK 143.8 million (113.7) and the adjusted EBITA margin increased to 8.9% (8.1).

Net financial items amounted to SEK –10.6 million (–5.6), of which SEK -4.7 million (0.7) refers to foreign exchange differences. The change in net financial items compared with 2017 was mainly due to foreign exchange differences. Tax was SEK –12.4 million (–19.6). Previously non-capitalised loss carry-forwards in Germany and France of SEK 5.6 million were recognised as deferred tax now the company can see that the loss carry-forwards will be utilised. Profit after tax for the period totalled SEK 104.6 million (40.4).

CASH FLOW AND INVESTMENTS

Cash flow from operating activities amounted to SEK 69.9 million (37.4), negatively impacted by costs related to the IPO and the final payment to the Russian tax authority totalling SEK 28.0 million (27.1). Cash flow from investing activities was SEK –5.3 million (–4.7).

LIQUIDITY AND FINANCIAL POSITION

The Group had no net debt at the end of the year. Instead, cash and cash equivalents exceeded interest-bearing liabilities by SEK 10.8 million compared with a net debt of SEK 133.9 million at the end of 2017. Changes compared with the end of 2017 are due to cash flow from operating activities and the new share issue conducted in conjunction with the IPO. The new share issue raised SEK 100 million for the company before transaction costs. At 31 December, the equity/assets ratio was 41.0% (19.2) and equity was SEK 296.6 million (106.4). At the end of the period, the Group had available liquidity, including undrawn overdraft facilities, of SEK 219.1 million (67.6).

In connection with the IPO in June 2018, NCAB renegotiated its loans. Existing SEK and USD loans of SEK 117.6 million were redeemed and replaced by two new SEK loans of SEK 50 million each, both with maturity in 2023. One is free of instalments while the other is being repaid in quarterly instalments of SEK 2.5 million for five years. The company has also increased its overdraft facility by SEK 34 million to SEK 113 million. At the balance sheet date of 31 December 2018, the company was in compliance with all covenants under the financing agreement.

SEASONAL VARIATIONS

The Group has relatively small seasonal variations over the year. However, the fourth quarter is weakest in terms of sales and EBITA, due to few deliveries in the second half of December in combination with the fact that the Group has most employees in the final quarter as recruitment is carried out continuously during the year.

THE SHARE AND PERFORMANCE OF SHARE CAPITAL

NCAB Group was listed on Nasdaq Stockholm, Small Cap, on 5 June 2018. The price in the Offer was SEK 75 per share, which corresponded to a market capitalisation for the total number of shares in the company of SEK 1,264 million. Since its IPO in June 2018, total return until 25 March 2019 was 49.5%.

A share issue was conducted in conjunction with the IPO, raising SEK 100 million before transaction costs. On 31 December 2018, NCAB Group's share capital amounted to SEK 1.7 million distributed between 16,847,124 shares with a quotient value of SEK 0.01 per share. For more information, see page 36.

RISKS AND UNCERTAINTIES

NCAB is exposed to a range of risks and great emphasis is placed on continuously following up, analysing and acting to mitigate potential risks.

The most material risks are described on pages 34–35.

GUIDELINES FOR REMUNERATION OF EXECUTIVE MANAGEMENT

The Group applies market-based salaries and remuneration based on a fixed and a variable portion. Remuneration of the CEO and other executive management comprises basic salary, variable remuneration and pension. Executive management refers to the individuals who comprise Group management together with the CEO.

Fixed and variable remuneration

The distribution between basic salary and variable remuneration is in proportion to the executive's responsibility and authority. The variable remuneration is based on financial targets. For the CEO, annual variable remuneration is maximised to 100% of the fixed annual salary. Other members of executive management can receive annual variable remuneration maximised to an amount corresponding to 40–100% of the fixed annual salary. Executive management otherwise receives customary benefits, such as a company car, occupational health care, etc.

Pension commitments

Executive management is entitled to pension benefits in accordance with defined-contribution pension plans with premiums of up to 20% of the executive's salary or in accordance with an applicable occupational pension plan.

Termination and severance pay

The CEO's employment contract is terminable on 12 months' notice in case of termination by the company and on six months' notice in case of termination by the CEO. There is no agreement on severance pay.

CORPORATE GOVERNANCE

Corporate governance is included as a separate section of these annual accounts and is not part of NCAB's formal Annual Report for 2018. Refer to the Corporate governance section, or NCAB's website ncabgroup.com, where corporate governance is also available as a separate report.

ORGANISATION

At 31 December 2018, the number of employees was 378 (354), of whom 177 (162) were women and 201 (192) were men. The average number of employees in the organisation during the period was 372 (340), of whom 174 (154) were women and 198 (186) were men.

SUSTAINABILITY

Sustainability has been a prioritised area for NCAB for many years and acting in a sustainable way and assuming great responsibility is an integrated part of the company's business model and long-term strategy. Sustainability work is divided into three focus areas in relation to the company's stakeholder groups; customers, employees and factories. This illustrates how sustainability work reinforces and creates value in these relationships. NCAB Group has also been verified against ISO 26000 in respect of its sustainability strategy. In accordance with Chapter 6, Section 11 of the Annual Accounts Act, NCAB has decided to prepare a statutory Sustainability Report as a separate report to its Annual Report that is available to read at ncabgroup.com/sustainability

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

IPO

NCAB was listed on Nasdaq Stockholm on 5 June 2018. The offer consisted of 10,010,490 shares, of which 1,333,334 were issued as new shares. The new share issue raised SEK 100 million for the company, gross. There was substantial interest from institutional, Swedish and foreign investors. The subscription price was SEK 75 per share and the offering was oversubscribed. The total costs for the preparation and implementation of the IPO were SEK 42.3 million, of which SEK 20.0 million refers to legal and other transaction costs, which were charged directly to equity. The remaining IPO preparation costs of SEK 22.3 million were charged to profit or loss, of which SEK 11.6 million in 2017 and SEK 10.7 million in the first and second quarter of 2018. In connection with the IPO, new financing was raised and the old financing was repaid in full.

10:1 share split
Prior to the IPO, the General Meeting approved a resolution to conduct a 10:1 split. Furthermore, existing preference shares were converted into ordinary shares at a ratio of 1:1.

Name change for Parent Company
The General Meeting on 14 March resolved that the Parent Company NCAB Holding AB should change name to NCAB Group AB (publ) and be registered as a public company.

New markets
A new company opened in Malaysia, where NCAB sees favourable growth opportunities in the HMLV segment, which is of interest to NCAB. A resolution was also adopted to establish a new company in the Netherlands and staff recruiting is in progress.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 4 March 2019, an agreement was signed to acquire 100% of shares in Multiprint A/S in Denmark. Multiprint has annual sales of just over SEK 60 million and the acquisition will strengthen NCAB's position in the Danish market at the same time as skilled employees are joining NCAB.

PARENT COMPANY EARNINGS AND FINANCIAL POSITION

NCAB Group AB (publ) is the Parent Company in the NCAB Group. The company's operations comprise management services to subsidiaries and the management of shares in subsidiaries.

The Parent Company's net sales for the year amounted to SEK 57.4 million (55.4). Earnings before tax amounted to SEK –18.2 million (30.5). The change is due to IPO costs and negative foreign exchange differences on internal and external loans. Equity was SEK 214.4 million (90.3).

PROPOSED APPROPRIATION OF RETAINED EARNINGS

The Board of Directors proposes the payment of a dividend of SEK 4.50 per share to those shareholders who are registered on the record date and that the remaining non-restricted equity be retained in the Parent Company. For more information, see NCAB's dividend policy.

The Annual General Meeting is asked to decide on the appropriation of the following earnings:

Share premium account	201,581,621
Retained earnings	–31,520,733
Net profit for the year	42,569,379
	SEK 212,630,267

The Board of Directors proposes the following appropriation of retained earnings:
a dividend payment to holders of ordinary shares of SEK 4.50 per share,

Total	75,812,058
carried forward	136,818,209
	SEK 212,630,267

Consolidated income statement

kSEK	Note	2018	2017
Net sales	5, 6	1,616,973	1,400,039
Other operating income	7	6,327	246
Total operating revenue		**1,623,300**	**1,400,285**
Raw materials and consumables		–1,117,165	–977,814
Other external expenses	8, 10	–117,771	–92,856
Staff costs	9	–240,234	–210,154
Depreciation of property, plant and equipment, and amortisation of intangible assets	17, 18	–8,949	–8,540
Other operating expenses	11	–11,566	–45,345
Total operating expenses		**–1,495,685**	**–1,334,709**
Operating profit		**127,616**	**65,576**
Financial income	12, 14	1,019	1,556
Financial expense	12, 14	–11,626	–7,180
Net financial items		**–10,608**	**–5,624**
Profit before tax		**117,008**	**59,952**
Income tax	13	–12,431	–19,591
Profit for the year		**104,577**	**40,361**
Profit attributable to:			
Shareholders of the Parent Company		104,461	40,305
Non-controlling interests		116	56
Average number of ordinary shares		14,882,810	12,156,330
Average number of preference shares		1,268,785	2,912,620
Average total number of shares		16,151,595	15,068,950
Earnings per share before dilution	15	6.37	2.42
Earnings per share after dilution	15	6.24	2.38

The Annual General Meeting on 14 March 2018 resolved to approve a 10:1 stock split. Earnings per share have been calculated retrospectively based on the total number shares after the stock split for each period. During the second quarter, the preference shares were converted into ordinary shares following a resolution of the General Meeting. As the company's preference shares, in addition to interest payments, entitle the holder to dividends on the same terms as for ordinary shares, the total number of shares (i.e. ordinary shares and preference shares) is used in calculating earnings per share. In connection with the IPO, all outstanding options were exercised to acquire new shares.

Consolidated statement of comprehensive income

kSEK	Note	2018	2017
Profit for the year		**104,577**	**40,361**
Other comprehensive income,			
Items that can subsequently be reclassified to profit or loss:			
Foreign exchange differences		4,187	–5,888
Other comprehensive income for the year		4,187	–5,888
Total comprehensive income for the year		**108,764**	**34,473**
Attributable to:			
– Shareholders of the Parent Company		108,648	34,417
– Non-controlling interests		116	56
Total comprehensive income for the year		**108,764**	**34,473**

The Notes on pages 55 to 74 form an integral part of these consolidated financial statements.

Consolidated balance sheet

kSEK	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	18	132,755	129,385
Other intangible assets	18	3,251	8,085
Total intangible assets		**136,006**	**137,470**
Property, plant and equipment			
Leasehold improvement costs	17	1,521	1,855
Plant and equipment	17	4,185	4,920
Total property, plant and equipment		**5,706**	**6,775**
Financial assets			
Financial assets	20	3,938	1,003
Total financial assets		**3,938**	**1,003**
Deferred tax assets	28	7,761	750
Total non-current assets		**153,411**	**145,998**
Current assets			
Inventories			
Raw materials and consumables	22	110,897	97,455
Total inventories, etc.		**110,897**	**97,455**
Current receivables			
Trade receivables	21	314,005	254,347
Other current receivables	23	13,359	15,933
Prepaid expenses and accrued income	24	16,889	9,365
Cash and cash equivalents	25	113,917	31,206
Total current receivables		**458,170**	**310,851**
Total current assets		**569,067**	**408,306**
TOTAL ASSETS		**722,478**	**554,304**

Consolidated balance sheet, cont.

kSEK	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Parent Company	26, 39		
Share capital		1,685	1,513
Additional paid-in capital		201,616	117,588
Reserves		–3,156	–7,343
Retained earnings		96,246	–5,512
Non-controlling interests		202	137
Total equity		**296,592**	**106,383**
LIABILITIES			
Non-current liabilities			
Borrowings*	27	85,000	
Deferred tax	28	2,860	3,454
Total non-current liabilities		**87,860**	**3,454**
Current liabilities			
Other provisions	29		17,595
Current liabilities*	27	18,162	165,064
Trade payables		231,472	192,893
Current tax liabilities		9,833	7,117
Other current liabilities		21,160	19,426
Accrued expenses and deferred income	30	57,398	42,372
Total current liabilities		**338,025**	**444,467**
Total net debt		**425,886**	**447,922**
TOTAL EQUITY AND LIABILITIES		**722,478**	**554,304**

* Due to non-compliance with a solvency covenant at 31 December 2017, all bank loans were classified as non-current liabilities. The company received a waiver from the bank. See Note 27.

The Notes on pages 55 to 74 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

		Attributable to shareholders of the Parent Company						
	Note	Share capital	Additional paid-in capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance on 1 January 2017		**1,497**	**115,323**	**–1,455**	**44,181**	**159,546**	**146**	**159,692**
Profit for the year					40,305	40,305	56	40,361
Other comprehensive income for the year				–5,888		–5,888		–5,888
Total comprehensive income				**–5,888**	**40,305**	**34,417**	**56**	**34,473**
Issue of new ordinary shares	26	16	2,222			2,238		2,238
Subscription payment warrants	26		43			43		43
Dividend, ordinary shares	26				–65,003	–65,003	–65	–65,068
Dividend, preference shares	26				–24,997	–24,997		–24,997
Total contribution from value transfer to shareholders, recognised directly in equity		**16**	**2,265**		**–90,000**	**–87,718**	**–65**	**–87,783**
Closing balance on 31 December 2017		**1,513**	**117,589**	**–7,343**	**–5,512**	**106,245**	**137**	**106,383**
Opening balance on 1 January 2018		**1,513**	**117,589**	**–7,343**	**–5,512**	**106,245**	**137**	**106,383**
Profit for the year					104,461	104,461	116	104,557
Other comprehensive income for the year				4,187		4,187		4,187
Total comprehensive income				**4,187**	**104,461**	**108,648**	**116**	**108,764**
Issue of new ordinary shares	26	172	104,031			104,203		104,203
Issue expenses			–20,004			–20,004		–20,004
Dividend, ordinary shares							–51	–51
Dividend, preference shares	26				–2,703	–2,703		–2,703
Total contribution from value transfer to shareholders, recognised directly in equity		**172**	**84,027**		**–2,703**	**81,496**	**–51**	**81,445**
Closing balance on 31 December 2018		**1,685**	**201,616**	**–3,156**	**96,246**	**296,389**	**202**	**296,592**

The Notes on pages 55 to 74 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

kSEK	Note	31 Dec 2018	31 Dec 2017
Cash flow from operating activities			
Profit before net financial income/expense		127,616	65,576
Adjustment for non-cash items	31	6,668	–445
Provisions		–17,595	17,595
Interest received		1,019	816
Interest paid		–6,907	–7,180
Income taxes paid		–21,759	–18,637
Cash flow from operating activities before changes in working capital		**88,936**	**57,725**
Change in inventories		–13,442	–8,232
Change in current receivables		–60,305	–32,550
Change in current operating liabilities		54,763	20,464
Total changes in working capital		**–18,984**	**–20,318**
Cash flow from operating activities		**69,952**	**37,407**
Cash flow from investing activities			
Investments in property, plant and equipment	17	–1,624	–3,467
Investments in intangible assets	18	–762	–728
Investments in financial assets	20	–2,922	–453
Cash flow from investing activities		**–5,308**	**–4,648**
Cash flow from financing activities			
Issue of new shares	26	104,171	2,282
Issue expenses		–20,004	
Change in overdraft facility	27	–31,479	26,363
Borrowings	27	100,000	57,225
Transaction cost, loans			–572
Repayment of loans	27	–132,907	–35,795
Dividend		–2,703	–90,062
Cash flow from financing activities	32	**17,078**	**–40,559**
Decrease/increase in cash and cash equivalents			
Cash flow for the period		81,722	–7,800
Foreign exchange difference in cash and cash equivalents		988	–850
Cash and cash equivalents at beginning of year		31,206	39,856
Cash and cash equivalents at end of year		**113,917**	**31,206**

The Notes on pages 55 to 74 form an integral part of these consolidated financial statements.

Group Notes

NOTE 1 GENERAL INFORMATION

NCAB Group AB (Parent Company) and its subsidiaries (the Group) form a global company active in printed circuit board (PCB) manufacturing. Currently, the Group comprises 17 operational companies in Europe, the USA and Asia. No acquisitions took place in 2018.

The Parent Company is a public limited liability company registered in Sweden with its head office in Stockholm. The address of the head office is Mariehällsvägen 37 A, SE-168 65 Bromma, Sweden.

These consolidated financial statements were approved for publication by the Board of Directors on 26 March 2019.

Unless otherwise specifically indicated, all amounts refer to thousands of SEK. Figures in parentheses refer to the previous year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in preparing these consolidated financial statements are described below. Unless otherwise stated, these policies have been applied consistently for all the years presented.

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements for NCAB Group have been prepared in accordance with the Swedish Annual Accounts Act, Recommendation RFR 1 Supplementary Financial Reporting Rules for Corporate Groups of the Swedish Financial Reporting Board, the International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC), as adopted by the EU. The financial statements have been prepared using the cost method, except with regard to financial assets and liabilities (including derivatives and contingent considerations), which have been measured at fair value through profit or loss.

The preparation of financial statements in compliance with IFRS requires the use of critical accounting estimates. Management is also required to make certain judgements in applying the Group's accounting policies. Areas which involve a high degree of judgement, are complex or where assumptions and estimates have a material impact on the consolidated financial statements are described in Note 4.

Changes to accounting policies and disclosures

A number of new standards and interpretations became effective for financial years beginning after 1 January 2018 and have been applied in preparing these financial statements. None of these have had a material impact on the consolidated financial statements:

- IFRS 9 Financial instruments deals with the classification, measurement and recognition of financial assets and liabilities, impairment of financial instruments and hedge accounting. It replaces those parts of IAS 39 which relate to the classification and measurement of financial instruments. The standard is to be applied to financial years beginning on 1 January 2018. The Group has made an analysis of the effects of IFRS 9, which shows that the standard will not result in any material changes.
- IFRS 15 Revenue from Contracts with Customers regulates the accounting treatment of revenue. The principles on which IFRS 15 are based are intended to give users of financial statements additional valuable information about a company's revenue. Under the expanded disclosure requirements, information on the type of revenue, date of settlement, uncertainties associated with the recognition of revenue and cash flows attributable to the company's customer contracts must be disclosed. Under IFRS 15, revenue should be recognised when a customer obtains control over the sold good or service and is able to use or obtains a benefit from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts, and the related SIC and IFRIC interpretations. IFRS 15 came into force on 1 January 2018. The Group's material revenue flows and contracts have been reviewed, and it has been established that control is mainly transferred at a point in time, when goods are delivered, which is consistent with the previous policy. The company has chosen to apply the standard retrospectively. There has been no change in the financial statements with the exception of disclosure requirements in connection with the transition to IFRS 15, see Note 5.

New standards and interpretations which have not yet been applied by the Group

IFRS 16 Leases will be effective for financial years beginning on 1 January 2019. The standard will replace IAS 17 Leases and the related interpretations. The standard requires that assets and liabilities attributable to all leases, with a few exceptions, be recognised in the balance sheet. This accounting treatment is based on the view that the lessee has a right to use an asset during a specific period of time as well as an obligation to pay for this right. The Group has made an evaluation of the effects of IFRS 16.

The Group will apply the modified retrospective approach during the transition. This entails that leases were restated as of 1 January 2019, without restating comparative figures. Leases of 12 months or less were not included in accordance with the simplified rules applied when using the method. Nor will leases of low value be taken into account. Non-lease elements will be consolidated in the lease asset. The Group has no leases of intangible assets. The company has no leased assets that are difficult to replace with other assets, which is why the lease term stated in the contract is the lease term included in the lease asset and liability. The discount rate applied was assessed by country taking into account the length of the lease, country-specific currency risk and risk premium. The Group currently has two primary types of operating leases that will in the future be managed as financial leases: office premises and leased cars, the largest share of which is the lease of office premises.

The Group does not expect the effects on the balance sheet and the financial key figures to be material. Total assets will increase by SEK 24.4 million or approximately 3% with the introduction on 1 January 2019. Net debt will increase from SEK –10.4 million to SEK 13.6 million and Net debt/Adjusted EBITDA from –0.1 to 0.1.

The difference between raised operating leases in accordance with Note 34 and the opening balance adjusted for IFRS 16, which amounts to SEK 24.4 million, is due to contracts with maturities of less than 12 months and leases of low value, totalling SEK 14.3 million, together with a discount component totaling SEK 0.4 million.

2.2 CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries are all companies over which the Group has a controlling influence. Control exists when the Group is exposed to or is entitled to a variable return from its holding in the company and is able to affect the return through its influence in the company. Subsidiaries are included in the consolidated financial statements as of the date on which control is transferred to the Group. They are excluded from the consolidated financial statements as of the date when the Group loses control.

The purchase method is applied in accounting for the Group's business combinations. The consideration paid for the acquisition of a subsidiary comprises the fair value of the transferred assets and liabilities incurred by the Group to previous owners of the acquired entity. The consideration also includes the fair value of all assets or liabilities that are a consequence of a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

Acquisition-related costs are expensed as incurred.

Each contingent consideration payable by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of a contingent consideration that has been classified as a financial liability is accounted for in profit or loss in accordance with IFRS 9.

Intercompany transactions and balances, and unrealised gains and losses on transactions between Group companies are eliminated. Where applicable, the accounting policies for subsidiaries have been amended to guarantee a consistent application of the Group's policies.

2.3 TRANSLATION OF FOREIGN CURRENCIES

(a) Functional currency and reporting currency

Items included in the financial statements for the various units of the Group are valued in the currency used in the economic environment in which each company primarily operates (functional currency). Swedish kronor (SEK), the Group's reporting currency, are used in the consolidated financial statements.

(b) Transactions and balance-sheet items

Transactions in foreign currency are translated to the functional currency at the exchange rates applying at the transaction date or the date when the items were restated. Foreign exchange gains and losses arising from such transactions and upon translation of monetary assets and liabilities in foreign currency at closing rates are recognised in profit or loss.

Foreign exchange gains and losses attributable to loans and cash and cash equivalents are accounted for in profit or loss as financial income or expense. All other foreign exchange gains and losses are recognised in the items Other operating income/Other external expenses in profit or loss.

Note 2, cont.

(c) Group companies
Results and financial position for all Group companies which have a different functional currency than the reporting currency are translated to the Group's reporting currency as follows:
(a) assets and liabilities for each of the balance sheets are translated at the closing rates;
(b) income and expenses for each of the income statements are translated at the average exchange rate (provided that this rate is a reasonable approximation of the cumulative effect of the exchange rates applying at the transaction date; otherwise, income and expenses are translated at the transaction date exchange rate),
(c) all resulting foreign exchange differences in equity are recognised in other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of a foreign business are treated as assets and liabilities in this business and translated at the closing rate. Foreign exchange differences are recognised in profit or loss.

2.4 PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment mainly comprise improvements to third party's property, and plant and equipment. All property, plant and equipment are stated at cost less depreciation. Cost includes expenditure directly attributable to the acquisition of the asset.

Any additional expenditure is added to the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will accrue to the Group and the cost can be reliably measured. The carrying amount of the replaced component is removed from the balance sheet. All other forms of repairs and maintenance are expensed in profit or loss in the periods in which they are incurred.

Other assets are depreciated so as to allocate the cost down to the estimated residual value over the assets' estimated useful lives. Assets are depreciated on a straight-line basis as follows:

• improvements to third party's property	5 years
• plant	5 years
• computers	3 years
• office equipment	5 years

Residual values and useful lives of assets are tested at the end of each reporting period and adjusted where necessary.

An asset's carrying amount is written down to the recoverable amount immediately if the carrying amount exceeds the estimated recoverable amount (Note 2.6).

Gains and losses from the sale of assets are determined by comparing the sale proceeds and carrying amount. The difference is recognised under Other operating income/Other external expenses – net in profit or loss.

2.5 INTANGIBLE ASSETS
(a) Goodwill
Goodwill arises on the acquisition of subsidiaries and refers to the amount by which the consideration, any non-controlling interest in the acquired entity and the fair value of the previous equity interest in the acquired entity at the acquisition date exceeds the fair value of identifiable acquired net assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill has been allocated represents the lowest level in the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at company level.

Goodwill is tested for impairment annually, or more frequently if there are events or changes in circumstances which indicate potential impairment. The carrying amount of the cash-generating unit to which goodwill is allocated is compared with the recoverable amount, which is defined as the higher of value in use and fair value less selling expenses. Any impairment loss is expensed immediately and cannot be reversed.

(b) Customer relationships and other intangible assets
Other intangible assets that have been acquired separately are recognised at cost. Customer relationships and other intangible assets (such as trademarks and licences) that have been acquired through a business combination are recognised at fair value at the acquisition date. Customer relationships and other intangible assets have a definite useful life and are recognised at cost less accumulated amortisation.

Trademarks and licences are amortised on a straight-line basis so that the cost is distributed over their estimated useful life of five years.

(c) Capitalised development costs for IT systems
Costs for maintenance of IT systems are expensed as incurred. Development costs directly attributable to the development and testing of identifiable and unique IT systems which are controlled by the Group are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the IT system so that it will be available for use,
- the company intends to complete the IT systems for use or sale,
- there is reason to expect that the company will be able to use or sell the IT system,
- it can be shown that the IT system will generate probable future economic benefits,
- adequate technical, economic and other resources are available to complete the development of and use or sell the IT system, and
- the costs attributable to the IT system during its development can be reliably measured.

Directly attributable expenditure that are capitalised as part of IT systems include costs for employees plus a reasonable portion of indirect costs.

Other development expenditure which does not meet these criteria is expensed as incurred. Previously expensed development costs are not capitalised in later periods.

IT systems development costs recognised as assets are amortised over the estimated useful life, which does not exceed three years.

2.6 IMPAIRMENT OF NON-FINANCIAL ASSETS
Intangible assets with indefinite useful lives or intangible assets which are not yet available for use, are not amortised but tested annually for impairment. Assets which are depreciated or amortised are tested for impairment when an event or change of circumstance indicates that the carrying amount may not be recoverable. The difference between the carrying amount and recoverable amount is recognised as an impairment loss. The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use. In testing for impairment, assets are grouped to the lowest levels at which there are essentially independent identifiable cash flows (cash-generating units). For assets (other than goodwill) which have previously been written down, an impairment test is made at each balance sheet date to determine if a reversal is required.

2.7 FINANCIAL ASSETS
The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative figures. This means the comparative figures stated have been recognised in accordance with the previous accounting policies.

Calculation of fair value
The levels are defined as follows:
- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly in the form of quoted prices or indirectly, i.e. derived from quoted prices (Level 2)
- Inputs for the asset or liability which are not based on observable market data (non-observable inputs) (Level 3). The Group holds no financial instruments measured at fair value in the balance sheet, only such measured at fair value for disclosure purposes.

Principles applicable for 2017 (IAS 39)

Classification
The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial asset was acquired. The classification of financial assets is determined by management upon initial recognition.

Financial assets measured at fair value in profit or loss
Financial assets at fair value through profit or loss are financial assets that are held for trading. A financial asset is classified in this category if it is acquired primarily for the purpose of being sold in the short term. The Group does not apply hedge accounting. Assets in this category are classified as current assets if they are expected to be settled within twelve months; if not, they are classified as non-current assets.

Note 2, cont.

Loans and receivables
Loans and receivables are financial assets which are not derivatives, have fixed or determinable payments, and are not listed on an active market. They are included in current assets, with the exception of items maturing later than 12 months after the end of the reporting period, which are classified as non-current assets.

The Group's loans and receivables consist of the following items in the balance sheet: Non-current financial assets (deposits), Trade and other receivables (Note 2.11), Cash and cash equivalents (Note 2.12), as well as Other current receivables, and Prepaid expenses and accrued income insofar as these refer to financial instruments.

In accordance with the rules in IFRS 9, the Group applies a modified retrospective approach for impairment testing of trade receivables. The approach entails that the reserve for expected credit losses is calculated based on the risk of loss over the entire lifetime of the receivable and is recognised on initial recognition of the receivable.

Recognition and measurement
Purchases and sales of financial assets are recognised at the transaction date, which is the date when the Group undertakes to buy or sell the asset. Financial instruments are initially recognised at fair value plus transaction costs. This applies to all financial assets which are not measured at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value while the related transaction costs are recognised in profit or loss. Financial assets are derecognised when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred essentially all risks and benefits associated with ownership. After the acquisition date, loans and receivables are stated at amortised cost by applying the effective interest method.

Fair value gains and losses for the category financial assets at fair value through profit or loss are recognised in the periods when they arise in the items Other operating income/Other external expenses in profit or loss.

Principles applicable for 2018 (IFRS 9)

General principles
A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the instrument's contractual conditions. A financial asset is derecognised from the balance sheet when the contractual right to cash flow from the asset ceases, is settled or when the Group loses control over it. A financial liability, or part of a financial liability, is derecognised from the balance sheet when the contractual obligation has been fulfilled or in some other manner ceases.

Classification and measurement
Financial assets are classified according to the business model used to manage the asset and the nature of the asset's cash flow. If the financial asset is held within the framework of a business model whose objective is to collecting contractual cash flows (hold to collect) and the contractual conditions for the financial asset at specified times give rise to cash flows that solely consist of the principal amount and interest on the principal amount outstanding, the asset is recognised at amortised cost.

If the business model's objective can instead be met by both collecting contractual cash flows and selling financial assets (hold to collect and sell) and the contractual conditions for the financial asset at specified times give rise to cash flows that solely consist of the principal amount and interest on the principal amount outstanding, the asset is recognised at fair value through other comprehensive income.

All other business models (other) for the purpose of speculation, held for trading or where the nature of the cash flows excludes other business models, entail recognition at fair value through profit or loss.

The Group applies the hold to collect business model for other non-current receivables, trade receivables, cash and cash equivalents and for financial assets recognised as other receivables. The Group's financial assets are initially measured at fair value and, subsequently, at amortised cost by applying the effective interest method, less provisions for impairment.

Financial liabilities are measured at fair value through profit or loss if these are a contingent earn-out to which IFRS 3 is to apply, held for trading or if they are initially identified as liabilities at fair value through profit or loss. Other financial liabilities are measured at amortised cost.

Trade payables pertain to obligations to pay for products and services purchased from suppliers in operating activities. Trade payables classified as financial liabilities are measured at amortised cost. Trade payables are initially stated at fair value and subsequently at amortised cost (applying the effective interest method for durations longer than three months). The carrying amount of trade payables is assumed to correspond to their fair value, given that this item is current by its very nature.

Liabilities to credit institutions are classified as financial liabilities measured at amortised cost. Borrowings are initially recognised at fair value, net, after transaction costs and, subsequently, at amortised cost. Any difference between the amount received (net after transaction costs) and the amount to be repaid is recognised in the statement of comprehensive income over the loan period by applying the effective interest method. Borrowing is included in current liabilities unless the Group has an unconditional right to defer payment of the liability by at least 12 months after the balance-sheet date. The carrying amount of the Group's borrowing is assumed to correspond to its fair value given that the loan has no transaction costs and carries a market interest rate.

Fair value of financial instruments
The fair value of financial assets and financial liabilities is determined as follows:
- The fair value of financial assets and liabilities traded in an active market is determined with reference to the listed market price.
- The fair value of other financial assets and liabilities is determined according to generally accepted pricing models, such as a discount of future cash flows and by using information obtained from prevailing market transactions.
- The recognised carrying amount of all financial assets and liabilities is considered a good approximation of its fair value, unless otherwise specified.

Amortised cost and effective interest method
The amortised cost of a financial asset is the amount at which the financial asset is valued on initial recognition less the principal amount, plus the accumulated amortisation with the effective interest method of any difference between the principal amount and the principal amount outstanding, adjusted for any impairment. The recognised gross value of a financial asset is the amortised cost of a financial asset before adjustments for any loss allowance. Financial liabilities are recognised at amortised cost using the effective interest method or at fair value in profit or loss.

Effective interest is the interest upon discounting all the anticipated future cash flows during the expected lifetime that results in the initial carrying amount of the financial asset or financial liability.

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset and recognised at the net amount in the balance sheet when a legal right exists to offset and when there is an intention to settle the items net, or simultaneously realise the asset and settle the liability. The Group does not offset any financial assets and liabilities.

Impairment
The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. On every balance-sheet date, the Group reports the change in expected credit losses since the initial recognition in profit or loss.

For all financial assets, the Group is to measure the loss allowance at an amount that corresponds to 12 months of expected credit losses. For financial instruments where a significant increase in credit risk has occurred since the initial recognition, a provision is reported based on loan losses for the asset's entire lifetime (the general model).

The purpose of the impairment requirements is to recognise expected credit losses for the remaining time to maturity for all financial instruments where a significant increase in credit risk has occurred since the initial recognition, either assessed individually or collectively, given all reasonable and verifiable information, including forward-looking information. The Group measures expected credit losses from a financial instrument using a method that reflects an objective and probability-weighted amount determined by assessing an interval of possible outcomes, monetary values over time and reasonable verifiable information, current circumstances and forecasts of future economic circumstances.

For trade receivables, simplification exit that mean the Group can directly report expected credit losses for asset's remaining time to maturity.

The Group's trade receivables are subject to the modified retrospective model for impairment. Trade receivables were assessed individually when calculating expected credit losses. Expected credit losses for trade receivables are calculated based on previous events, current circumstances and forecasts of future economic circumstances and monetary values over time, if applicable.

The Group defines default when it is deemed improbable that the counterparty will meet its obligations due to indicators such as financial difficulties and missed payments. The Group writes off a receivable when no further opportunities for additional cash flow are deemed to exist.

Note 2, cont.

2.8 OFFSET OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount presented in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and an intention to settle them on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not depend on future events, and must be legally binding for the company and the counterparty both in case of normal business activities and in case of default, insolvency or bankruptcy.

2.9 IMPAIRMENT OF FINANCIAL ASSETS

Assets at amortised cost

At the end of each reporting period, the Group assesses whether there is objective evidence of impairment of a financial asset or group of financial assets. A financial asset or group of financial assets is impaired and is written down only if there is objective evidence of impairment as a consequence of one or several events occurring after the initial recognition of the asset ("loss event") and this event, or these events, has an impact on the estimated future cash flows for the financial asset or group of financial assets that can be reliably measured.

Objective evidence of impairment includes, for example, indications of significant financial difficulties of a debtor or group of debtors, non-payment of or arrears on the payment of interest or principal, a growing likelihood that the borrower will enter bankruptcy or reorganise, or observable information pointing to a measurable decrease in estimated future cash flows, such as changes in arrears or other financial circumstances correlated with credit losses.

For the category of accounts receivable, impairment is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future loan losses that have not occurred), discounted to the original effective interest of the financial asset. The asset's carrying amount is written down and the impairment loss is recognised in the consolidated income statement.

If the impairment is reduced in a subsequent period and this can objectively be attributed to an event occurring after recognition of the impairment loss (such as an improvement in a debtor's creditworthiness), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first in, first out method (FIFO). Net realisable value is the estimated selling price in the company's operating activities less any applicable variable selling expenses.

2.11 TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services rendered in operating activities. Trade receivables are initially stated at cost and subsequently at amortised cost using the effective interest method, less any provisions for impairment.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet and in the statement of cash flows includes cash, bank deposits, other short-term investments and utilised overdraft facilities. Other short-term investments are classified as cash and cash equivalents if they expire within three months from the time of acquisition, can easily be converted into cash for a known amount and are exposed to an insignificant risk for fluctuations in value.

Overdraft facilities are recognised in the balance sheet as loans in current liabilities.

2.13 SHARE CAPITAL AND EARNINGS PER SHARE

Ordinary shares are classified as equity. Issued preference shares are also classified as equity unless they are mandatorily redeemable. Transaction costs which are directly attributable to the issue of new ordinary shares or warrants are recognised, net of tax, in equity as a deduction from the proceeds of the issue.

Earnings per share before dilution are calculated by dividing earnings attributable to shareholders of the parent by a weighted average number of outstanding ordinary shares and preference shares during the period.

Earnings per share after dilution are calculated by adjusting the weighted average number of outstanding ordinary shares and preference shares for the dilutive effect of all potential ordinary shares and preference shares. The Parent Company has one category of potential ordinary shares with a dilutive effect: warrants. For warrants, a calculation is made of the number of shares that could have been purchased at fair value (defined as the average annual market price of the Parent Company's shares) for an amount equal to the monetary value of the subscription rights attaching to the outstanding warrants. The number of shares calculated in this manner is compared with the number of shares that would have been issued on the assumption that the warrants are exercised. Following a resolution of the General Meeting, on March 14, 2018, all preference shares were converted into ordinary shares. Furthermore, all warrants have been converted into ordinary shares in connection with the listing. The company has now only ordinary shares.

2.14 TRADE PAYABLES

Trade payables are obligations to pay for goods or services purchased from suppliers in operating activities. Trade payables are initially stated at fair value and subsequently at amortised cost by applying the effective interest method.

2.15 BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.16 PROVISIONS

Provisions for legal claims, warranties and measures of reinstatement are recognised when the Group has a legal or constructive obligation arising from past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably measured. No provisions are made for future operating losses. If a number of similar obligations exist, the probability that an outflow of resources will be required is determined for the settlement of the group of obligations as a whole. A provision is recognised also when there is a low probability of an outflow of resources in respect of a particular item in this group of obligations.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks associated with the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except when the tax refers to items which are recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or equity.

The current tax expense is calculated based on the tax rules that have been enacted or substantively enacted at the balance sheet date in those countries where the Parent Company and its subsidiaries operate and generate taxable revenue. Management regularly evaluates claims made in tax returns which relate to situations where the applicable tax rules are subject to interpretation. When appropriate, management makes provisions for amounts which will probably be payable to the tax authority.

Deferred tax is recognised for all temporary differences between the carrying amounts and tax bases of assets and liabilities in the consolidated financial statements. A deferred tax liability is not recognised if it is incurred as a result of initial recognition of goodwill. Deferred tax is also not recognised if it is incurred as a result of a transaction which constitutes the initial recognition of an asset or liability that is not a business combination and which at the time of the transaction affects neither the accounting profit nor the tax profit. Deferred income tax is calculated by applying tax rates (and tax laws) that have been adopted or announced at the balance sheet date and that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be wholly or partially offset.

Deferred tax liability is calculated for taxable temporary differences on investments in subsidiaries, except for deferred tax liabilities when the time at which the temporary difference is reversed can be decided by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets related to deductible temporary differences arising from investments in subsidiaries are recognised only to the extent that it is probable that the temporary difference will be reversed in future and that there will be taxable profits against which the deduction can be offset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right of set-off for the tax assets and liabilities concerned, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and refer to either the same taxable entity or different taxable entities, and there is an intention to settle the balances on a net basis.

2.18 EMPLOYEE BENEFITS

The Group companies have defined contribution pension plans. Defined contribution pension plans are post-employment benefit plans under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

2.19 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and comprises the amounts received for sold goods less discounts, returns and value-added tax.

The Group recognises a revenue when control of goods is transferred, which occurs when the goods are delivered to the customer or to the location designated by the customer, and when there are no unmet obligations that may impact the customer's approval of the goods. The Group solely has contracts with terms up to six months. Consequently, exemption rules for recognition of contracted but not completed performance obligations are applied.

A receivable is recognised when the goods are delivered, which is the date when remuneration becomes unconditional. The company has also analysed whether there are any contract assets. Contract liabilities exist to a very limited degree in cases where advance payment has been received from customers.

The Group applies the modified retrospective approach for calculating expected credit losses. The method means expected losses over the entire lifetime of the receivable are used as a basis for trade receivables. More information about doubtful debts is provided in Note 21. The majority of the Group's trade receivables are covered by insurance.

Sale of goods

The Group sells printed circuit boards (PCBs). The sale of PCBs is recognised as income when control of the goods is transferred, which takes place when the goods are delivered to the designated place. Customers do not have the right to return goods but have the right to replacement deliveries for any defective products.

PCBs are sold to certain customers with volume discounts based on accumulated sales over a 12-month period. Revenue from the sale of cards is recognised based on the price in the agreement, less estimated volume discounts. Accumulated experience is used to assess and make provisions for discounts.

Third-party currencies

IFRS 9 provides specific guidance for an embedded currency derivative in a host contract that is not a financial instrument (such as a contract for the purchase or sale of a non-financial item where the price is denominated in a foreign currency). The embedded currency derivative should not be separated from the host contract if it is closely related to its host. A currency derivative is considered closely related to its host if payments are denominated in the functional currency of the buyer or seller, acquired or delivered goods or services are routinely denominated in the currency in commercial transactions around the world or the currency is commonly used in contracts to buy or sell non-financial items in the economic environment in which the transaction takes place. The Group has embedded derivatives in the form of third-party currencies in sales contracts, as pricing and invoicing is largely in USD. The effects of third-party currencies are considered to have only a marginal impact on the income statement and balance sheet, and have therefore not been taken into account. The effects of third-party currencies are assessed on a quarterly basis.

2.20 INTEREST INCOME

Interest income is recognised using the effective interest method.

2.21 DIVIDEND INCOME

Dividend income is recognised when the right to receive payment has been established.

2.22 LEASES

The Group leases certain assets for which a significant portion of the risks and benefits of ownership are retained by the lessor. These contracts are classified as operating leases. Payments made during the lease term (after deducting for any incentives from the lessor) are recognised as an expense in profit or loss on a straight-line basis over the lease term.

2.23 DIVIDENDS

Dividend payments to shareholders of the Parent Company are recognised as a liability in the consolidated financial statements in the period in which the payment is approved by the shareholders of the Parent Company.

2.24 SEGMENT REPORTING

Segments are accounted for in a way that is consistent with the internal reports submitted to the chief operating decision maker. The chief operating decision maker is the function that is responsible for allocating resources and assessing the results of segments. In the Group, this function has been identified as the Chief Executive Officer, who makes strategic decisions. The Group's operations are evaluated based on geography: Nordic, Europe, North America and East.

NOTE 3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

Through its activities, the Group is exposed to a wide range of financial risks: market risk (currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk, liquidity risk and financing risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and strives to minimise potential adverse effects on the Group's financial results. The Group does not, however, apply hedge accounting.

Risk management is handled by a central finance department in accordance with the financial policy adopted by the Board of Directors. The accounting function identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units. The financial policy encompasses general risk management as well as for specific areas, such as currency risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments, and the investment of excess liquidity.

(a) Market risk

(i) Currency risk

The Group operates internationally and is exposed to currency risks arising from various currency exposures, mainly from USD and EUR. Currency risk arises through future business transactions, recognised assets and liabilities, and net investments in foreign operations.

Currency risks also arise when future business transactions are expressed in a currency that is not the functional currency of the unit. Approximately 85% of the Group's pricing is in USD and around 75% of the Group's invoicing is in USD. Goods purchases and shipping are 95% denominated in USD, which means that a strengthening of the USD leads to an improved gross profit while a weakening of the USD leads to a reduced gross profit, but unchanged gross margin.

The Group has a number of investments in foreign businesses whose net assets are exposed to currency risks. These are not hedged.

If the Swedish krona had weakened/strengthened by 10% against the USD, with all other variables held constant, the restated net profit at 31 December 2018 would have been kSEK 15,300 (6,300) lower/higher. Gross profit would have been kSEK 40,000 (18,000) lower/higher, while the gross margin remained unchanged. EBITA would have been kSEK 20,000 (8,500) lower/higher. Restating trade receivables and trade payables would have had the opposite impact on earnings of kSEK 4,700 (2,200).

If the Swedish krona had weakened/strengthened by 10% against the EUR, with all other variables held constant, the restated net profit at 31 December 2018 would have been kSEK 4,200 (2,000) lower/higher. Foreign exchange differences in current assets are recognised as other operating income or other operating expenses. Exchange rate difference in cash, external and internal loans are recognised in net financial items.

(ii) Cash flow interest rate risk and fair value interest rate risk

The Group's interest rate risk arises from short-term and long-term borrowing. Variable interest rate borrowings expose the Group to cash flow interest rate risk, which is partly neutralised by cash assets bearing variable interest rates. Fixed interest rate borrowings expose the Group to fair value interest rate risk. The Group's policy is to

Note 3, cont.

have variable interest rate borrowings. In 2018 as well as in 2017, the Group's variable interest rate borrowings consisted mainly of loans in SEK and USD.

The Group has an opportunity to secure the interest rate if exposure is considered too great. An analysis is always conducted in conjunction with refinancing or when rolling-over existing loans. The analysis shows that the effect of a +/–1.0% change of interest level would entail a maximum increase of kSEK 1,000 (1,650) and a reduction of kSEK 1,000 (1,650) in interest expense.

The Group normally takes out long-term loans at variable interest rates.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers. Credit risk is managed at Group level, with the exception of credit risk related to outstanding trade receivables. Each Group company is responsible for monitoring and assessing the credit risk for each new customer before offering standard terms of payment and delivery.

The Group's subsidiaries insure credit risk through a credit insurance company. The use of a credit insurance company enables us to make a better proactive selection of new customers and to monitor our existing customers effectively. The use of credit limits is monitored regularly. Only banks and financial institutions that have received a credit rating of "BBB+" or higher from an independent rating agency are accepted. Individual risk limits are defined based on internal or external credit assessments in accordance with the limits set by the Board.

No credit limits were exceeded during the reporting period and management does not expect any losses due to non-payments from these counterparties.

(c) Financing risk

The Group's loan financing takes place centrally and consists of both fixed loans and an intra-Group cash pool with an associated overdraft facility. The loan conditions include covenants stating that the net debt must not exceed 2.5 times adjusted EBITDA and that cash flow before financing costs must exceed financing costs. Management regularly measures and monitors covenant calculations and cash flow forecasts from a covenant perspective.

(c) Liquidity risks

Cash flow forecasts are prepared by the Group's operating companies and aggregated at Group level. Rolling forecasts for the Group's liquidity are monitored continually to ensure that the Group has sufficient cash to meet its day-to-day operational needs while maintaining sufficient unused credit facilities to ensure that it does not breach borrowing limits or loan covenants (where applicable) on any of its loan facilities.

Excess liquidity in the Group's operating companies exceeding that portion which is required to manage working capital requirements is transferred to the Parent Company, which invests the excess liquidity in interest-bearing current accounts, term deposits, money market instruments and marketable securities, depending on what type of instrument has an appropriate maturity or is sufficiently liquid to meet the requirements determined by the aforementioned forecasts. At the balance sheet date, the company had liquid assets of kSEK 113,916 (31,206) and an undrawn overdraft facility of kSEK 104,913 (36,447) that can quickly be converted into cash in order to manage the liquidity risk.

The following table shows an analysis of the Group's non-derivative financial liabilities by remaining maturity from the balance sheet date.

Derivatives that are financial liabilities are included in the analysis if their contractual maturities are essential for understanding the timing of future cash flows. The amounts indicated in the table are the contractual, undiscounted cash flows.

31 December 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	2,513	7,613	10,325	81,188
Overdraft facility (payable on demand)	8,087			
Trade payables	231,471			
31 December 2017				
Borrowings	123,163			
Overdraft facility (payable on demand)	41,901			
Trade payables	192,893			

Due to the provisions for unforeseen costs in the tax dispute in Russia, the company was unable to meet the covenant relating to equity/assets ratio as at the closing date in 2017. In accordance with IFRS, all bank loans were therefore classified as current liabilities as of the closing date in 2017. The company has received a waiver from the bank. The bank waived its right to early redemption.

3.2 MANAGEMENT OF CAPITAL

The Group's goal in respect of capital structure is to secure its ability to continue its operations with a view to continuing to generate a return for the shareholders and benefits for other stakeholders, and to maintain an optimal capital structure in order to keep the costs of capital down.

To maintain, or adjust, its capital structure, the Group may change the dividend that is paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce its liabilities.

Like other companies in the industry, the Group assesses its capital based on the debt/equity ratio. This key ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (comprising the items Short-term borrowings and Long-term borrowings in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as Equity in the consolidated financial statements plus net debt.

The Group's target is that net debt will not exceed twice adjusted EBITDA and have a credit rating of not less than BB. The Group's BB credit rating was maintained throughout the year. For the reported periods, the debt/equity ratio has been as follows:

	2018	2017
Total borrowings (Note 27)	103,162	165,064
Less: cash and cash equivalents	–113,916	–31,206
Net debt	–10,754	133,858
Total equity	296,573	106,383
Total capital	285,819	240,241
Debt/equity ratio	**–4%**	**56%**
Adjusted EBITDA	143,807	113,700
Net debt / Adjusted EBITDA	**–0.1**	**1.2**

NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are reviewed on an ongoing basis, and are based on historical experiences and other factors, including expectations of future events that are deemed reasonable under existing circumstances.

4.1 Critical accounting estimates and judgements

The Group makes estimates and assumptions about the future. The resulting accounting estimates will by definition seldom equal the related actual results. Estimates and assumptions which involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are addressed below.

Goodwill impairment testing

Each year, the Group tests goodwill for impairment in accordance with the accounting policy described in Note 2. Recoverable amounts for cash-generating units have been determined by calculating value in use. For these calculations, certain estimates need to be made (Note 18).

The carrying amount of goodwill is kSEK 132,755 (129,385). The change is due to currency effects.

Valuation of tax loss carry-forwards

At 31 December 2018, the Group has recognised deferred tax assets of kSEK 7,761 (750) arising from unused tax losses for the year and previous years. These tax losses have no final expiration date. A deferred tax asset is recognised for tax losses only to the extent that it is probable that these can be used to offset future taxable profits and taxable temporary differences.

Each year, the Group also assesses whether there is reason to recognise new deferred tax assets in respect of tax losses for the year or previous years. At 31 December 2018, the Group had unused tax losses of kSEK 0 (32,999), which represent unrecognised tax assets of kSEK 0 (9,757) with no final expiration date. During the year, loss carryforwards were capitalised for Germany and France amounting to kSEK 5,657.

Further information on unused tax losses and deferred tax assets is provided in Note 28.

Measurement of trade receivables

At the closing date, the Group had trade receivables of kSEK 314,005 (254,347). Trade receivables are amounts attributable to customers for sold goods in the ordinary course of business. Trade receivables generally fall due for payment within 30–90 days and all trade receivables are therefore classified as current assets. Trade receivables are initially recognised at transaction price. Trade receivables with a material financing component are measured, on the other hand, at fair value. The Group holds trade receivables for the purpose of collecting contractual cash flow and measures these therefore on subsequent accounting dates at amortised cost.

The Group applies the modified retrospective approach for calculating expected credit losses. The method means expected losses over the entire lifetime of the receivable are used as a basis for trade receivables.

More information about doubtful debts is provided in Note 21. The majority of the Group's trade receivables are covered by insurance.

NOTE 5 REVENUES FROM CUSTOMERS

Breakdown of net sales by geographic location of customers.

	2018	2017
USA	290,330	282,224
Sweden	199,200	181,868
Russia	143,697	121,481
China	125,691	106,793
Germany	161,665	104,866
UK	123,946	100,994
France	74,590	65,756
Estonia	54,016	56,129
Poland	55,197	50,286
Finland	48,150	43,201
Norway	60,410	39,670
Canada	40,728	35,506
Denmark	31,992	30,258
Spain	36,513	29,533
Romania	29,616	25,031
Other markets	141,231	126,445
Total	**1,616,973**	**1,400,039**

Remaining performance obligation

The company has remaining performance obligations and contract liabilities of kSEK 3,404 (2,986) attributable to advances from customers, primarily in Russia.

NOTE 6 SEGMENTS

DESCRIPTION OF SEGMENTS AND PRINCIPAL ACTIVITIES
In NCAB Group, the CEO is the Group's chief operating decision maker. The segments are based on the information that is handled by the CEO and used as a basis for decisions on the allocation of resources and evaluation of results. NCAB Group has identified four segments, which also constitute reportable segments in the Group's operations:

Nordic
Provides a broad range of PCBs from NCAB's companies in Sweden, Norway, Denmark, Finland and Estonia. The PCBs are purchased from external suppliers, mainly in China. Most of the PCBs are of the high-mix-low-volume (HMLV) type, i.e. specialised products that are produced in small quantities. NCAB has a local presence through technicians and customer support staff to ensure that its customers receive support throughout the process.

Europe
Provides a broad range of PCBs from NCAB's companies in the UK, Poland, France, Italy, Germany and Spain. The PCBs are purchased from external suppliers, mainly in China. Most of the PCBs are of the high-mix-low-volume (HMLV) type, i.e. specialised products that are produced in small quantities. NCAB has a local presence through technicians and customer support staff to ensure that its customers receive support throughout the process.

North America
Provides a broad range of PCBs from NCAB's companies in the USA. The PCBs are purchased from external suppliers, mainly in China. Most of the PCBs are of the high-mix-low-volume (HMLV) type, i.e. specialised products that are produced in small quantities. NCAB has a local presence through technicians and customer support staff to ensure that its customers receive support throughout the process.

East
Provides a broad range of PCBs from NCAB's companies in Macedonia, China, Malaysia and Russia. The PCBs are purchased from external suppliers, mainly in China. Most of the PCBs are of the high-mix-low-volume (HMLV) type, i.e. specialised products that are produced in small quantities. NCAB has a local presence through technicians and customer support staff to ensure that its customers receive support throughout the process.

Revenue
Revenue is generated from a large number of customers across all segments. There are no sales of goods between segments. Minor amounts may be invoiced for freight and services, which are provided on market terms. The revenue from external parties reported to the CEO is measured in the same way as in profit or loss.

NET SALES AND EARNINGS OF SEGMENTS

	Nordic		Europe		North America		East		Central functions		Group	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net sales	409.4	368.2	631.5	507.5	258.1	261.0	318.4	262.8	–0.4	0.6	1,617.0	1,400.0
Adjusted EBITA	**66.4**	**47.2**	**40.5**	**29.8**	**12.0**	**12.3**	**36.3**	**27.8**	**–11.4**	**–3.4**	**143.8**	**113.7**
Adj. EBITA margin, %	16.2	12.8	6.4	5.9	4.6	4.7	11.4	10.6			8.9	8.1
Non-recurring items							–0.9	–31.9	–10.7	–11.6	–11.6	–43.5
EBITA	66.4	47.2	40.5	29.8	12.0	12.3	35.4	–4.1	–22.4	–15.0	132.2	70.2
EBITA margin, %	16.2	12.8	6.4	5.9	4.6	4.7	11.1	–1.6			8.2	5.0
Depreciation of intangible assets											–4.6	–4.6
Operating profit											**127.6**	**65.6**
Operating margin, %											7.9	4.7
Net financial expense											–10.6	–5.6
Profit/loss before tax											117.0	60.0
Net working capital	38.1	34.8	81.5	79.1	17.1	17.7	17.8	13.0	–19.1	–29.3	135.3	115.3
Non-current assets												
Intangible assets	42.4	43.0	0.0	0.1	81.0	83.5	0.5	0.4	12.1	10.6	136.0	137.5
Property, plant and equipment	0.7	0.8	1.5	1.6	1.9	2.3	1.5	1.9	0.1	0.2	5.7	6.8

Sweden has fixed assets valued at SEK 21.6 million (23.1), of which tangible fixed assets are SEK 0.4 million (0.6), and intangible fixed assets amounting to SEK 21.2 million (22.4).

NOTE 7 OTHER OPERATING INCOME

	2018	2017
Operating foreign exchange gains	13,233	
Operating foreign exchange losses	–8,578	
Other income	1,672	246
Total	**6,327**	**246**

The balance of operating foreign exchange gains/losses was negative in 2017 and has been recognised as other operating expenses, see Note 11.

NOTE 8 OTHER EXTERNAL EXPENSES

	2018	2017
Cost of premises	23,808	21,511
Travel expenses	18,369	15,916
External sales commission	7,895	6,752
Marketing	16,171	7,886
IT	10,566	13,344
Other information	40,961	27,447
Total	**117,771**	**92,856**

NOTE 9 EMPLOYEE BENEFITS, ETC.

	2018	2017
Salaries and benefits	184,005	161,124
Social security contributions	27,649	24,288
Retirement benefit costs – defined contribution plans	10,167	7,836
Total employee benefits	**221,821**	**193,248**

Salaries and other benefits:

	2018		2017	
	Salaries and other benefits (of which bonuses)	Retirement benefit costs	Salaries and other benefits (of which bonuses)	Retirement benefit costs
Directors, CEOs and other senior executives	23,060 (3,408)	1,436	11,143 (3,598)	784
Other employees	160,945	8,731	149,981	7,052
Total, Group	**184,005**	**10,167**	**161,124**	**7,836**

Average number of employees:

	2018		2017	
	Average number of employees	Of which, women	Average number of employees	Of which, women
Sweden	33	15	30	12
Denmark	6	3	4	2
Norway	8	2	8	2
Finland	16	7	13	6
Germany	32	8	26	6
UK	27	14	28	11
Poland	12	9	10	8
France	15	7	14	6
Spain	8	3	7	2
Italy	9	3	3	1
Macedonia	1		1	
Russia	40	18	38	18
USA	54	24	53	26
China	102	56	90	48
Hong Kong	3	1	3	1
Total, Group	**364**	**165**	**329**	**148**

Gender distribution in the Group (incl. subsidiaries) for Directors and other executive management:

	2018		2017	
	Number at balance sheet date	Of which, men	Number at balance sheet date	Of which, men
Board of Directors:	6	4	6	4
CEOs and other executive management	11	8	7	5
Total, Group	**17**	**11**	**13**	**9**

NOTE 10 AUDIT FEES

	2018	2017
PwC		
– Audit engagement	2,545	1,134
– Audit services in addition to audit engagement	1,080	138
– Tax advisory services	15	56
– Other services	1,543	2,254
Total	**5,183**	**3,582**
Other auditors		
– Audit engagement	550	634
– Audit services in addition to audit engagement	191	107
– Tax advisory services	483	105
– Other services	95	148
Total	**1,319**	**994**
Total, Group	**6,502**	**4,576**

Fees to Öhrlings PricewaterhouseCoopers AB from companies in the NCAB Group amounted to SEK 4.0 million (3.3) during the year. Of this amount, SEK 0.9 million (0.9) was audit fees and SEK 3.1 million (2.4) for other services.

NOTE 11 OTHER OPERATING EXPENSES

Other operating expenses than non-recurring extraordinary items, and net operating foreign exchange loss. The balance of operating foreign exchange gains/losses was positive in 2018 and has been recognised as other operating income, see Note 7.

	2018	2017
Settlement with Russian tax authority, incl. advisory costs	911	31,880
IPO preparation costs	10,655	11,624
Operating foreign exchange gains		–1,890
Operating foreign exchange losses		3,731
Total	**11,566**	**45,345**

NOTE 12 FINANCIAL INCOME AND EXPENSE

	2018	2017
Financial expense:		
– bank loans	–4,258	–5,022
Foreign exchange gains on financing activities	78,468	
Foreign exchange losses on financing activities	–83,187	
Other financial expense	–2,649	–2,158
Total financial expense	**–11,626**	**–7,180**
Financial income:		
– interest income from short-term bank deposits	693	620
Foreign exchange gains on financing activities		49,425
Foreign exchange losses on financing activities		–48,685
Other financial income	326	196
Total financial income	**1,019**	**1,556**
Net financial expense	**–10,608**	**–5,624**

NOTE 13 TAX

	2018	2017
Current tax:		
Current tax on profit for the year	–20,059	–17,814
Adjustment relating to prior years		
Total current tax	**–20,059**	**–17,814**
Deferred tax (Note 28)	7,498	–942
Effect of new tax rate, USA		–835
Total deferred tax	**7,498**	**–1,777**
Tax	–12,431	–19,591

The tax on the consolidated profit before tax differs from the theoretical amount that would have resulted from the use of the Swedish tax rate for the results of the consolidated companies as follows:

	2018	2017
Profit before tax	**117,008**	**59,952**
Tax calculated at tax rate in Sweden (22%)	–25,742	–13,189
Effect of foreign tax rates	3,080	3,442
Effect of new tax rate, USA		–835
Tax effects of:		
Non-taxable income	4,550	191
Non-deductible expenses	–2,929	–8,028
Use of previously unrecognised tax losses	3,136	1,193
Tax losses for which no deferred tax asset has been recognised	5,504	–2,365
Adjustment relating to prior years	–30	
Tax expense	**–12,431**	**–19,591**

The weighted average tax rate was 22.9% (19.7).

NOTE 14 NET FOREIGN EXCHANGE DIFFERENCE

Foreign exchange differences have been recognised in profit or loss as follows:

	2018	2017
Net other operating income (Note 7)	4,655	
Net other operating expenses (Note 11)		–1,841
Net financial income/expense (Note 12)	–4,719	740
Total	**–64**	**–1,101**

NOTE 15 EARNINGS PER SHARE

Parent Company now only holds ordinary shares. The warrants and preference shares which used to exist were converted into ordinary shares in conjunction with the IPO.

Earnings per share before dilution were previously calculated by dividing earnings attributable to shareholders of the Parent by a weighted average number of outstanding ordinary shares and preference shares during the period.

Earnings per share after dilution were calculated by adjusting the weighted average number of outstanding ordinary shares and preference shares for the dilutive effect of all potential ordinary shares and preference shares. The Parent Company has had one category of potential ordinary shares with a dilutive effect: warrants. For warrants, a calculation is made of the number of shares that could have been purchased at fair value (defined as the average annual market price of the Parent Company's shares) for an amount equal to the monetary value of the subscription rights attaching to the outstanding warrants. The number of shares calculated in this manner is compared with the number of shares that would have been issued on the assumption that the warrants are exercised.

As the company's preference shares, in addition to interest payments, have entitled the holder to dividends on the same terms as for ordinary shares, the total number of shares (i.e. ordinary shares and preference shares) is used in calculating earnings per share.

The preference shares have entitled the holder to annual interest of 13% of the original value. The 2018 Annual General Meeting resolved to approve a 10:1 stock split.

	2018	2017
Profit for the period	104,461	40,305
Interest on preference shares	–1,698	–3,900
Average total number of shares before dilution	16,151,595	15,068,950
Earnings per share before dilution, SEK	6.37	2.42
Average total number of shares after dilution	16,498,547	15,329,920
Earnings per share after dilution, SEK	6.24	2.38

NOTE 16 HOLDING AND INVESTMENTS IN SUBSIDIARIES

At 31 December 2018, the Group had the following subsidiaries:

Name	Country of registration and operation	Percentage of ordinary shares owned directly by the Parent Company (%)	Percentage of ordinary shares owned by the Group (%)
NCAB Group Asia Ltd.	Hong Kong	100%	
NCAB Group ShenZhen Electronics Co Ltd.	China		100%
NCAB Group ShenZhen Co Ltd.	China		100%
NCAB Group Denmark ApS	Denmark	100%	
NCAB Ericon Pte	Russia	100%	
NCAB Group Estonia Oü	Estonia	100%	
NCAB Group Finland OY	Finland	100%	
NCAB Group France SAS	France	100%	
NCAB Group Germany GmbH	Germany	100%	
NCAB Group Iberia S.A.	Spain	100%	
NCAB Group Italy S.r.l.	Italy	100%	
NCAB Group Norway AS	Norway	100%	
NCAB Macedonia A.D.	Macedonia	70%	
NCAB Group Polska Sp. Z.o.o	Poland	100%	
NCAB Group South East Asia SDN BHD	Malaysia	100%	
NCAB Group Sweden AB	Sweden	100%	
NCAB Group UK Ltd	UK	100%	
NCAB Group USA Inc.	USA	100%	

All subsidiaries are consolidated in the Group. The voting interest in subsidiaries which are owned directly by the Parent Company does not differ from the owned share of ordinary shares.

NOTE 17 PROPERTY, PLANT AND EQUIPMENT

Improvements to third party's property:

	2018	2017
Opening balance		
Cost	5,146	4,615
Accumulated depreciation	–3,291	–3,518
Carrying amount	**1,855**	**1,097**
Period		
Foreign exchange differences	142	–3
Purchases	59	1,174
Sales and disposals		–64
Depreciation	–523	–349
Closing balance		
Cost	5,347	5,146
Accumulated depreciation	–3,814	–3,291
Carrying amount	**1,521**	**1,855**

Plant and equipment:

	2018	2017
Opening balance		
Cost	17,893	21,452
Accumulated depreciation	–13,063	–14,840
Carrying amount	**4,920**	**6,612**
Period		
Foreign exchange differences	216	–672
Purchases	1,652	2,573
Sales and disposals		–39
Depreciation	–2,505	–2,031
Reclassification		–1,603
Closing balance		
Cost	19,504	17,983
Accumulated depreciation	–15,404	–13,063
Carrying amount	**4,185**	**4,920**

NOTE 18 INTANGIBLE ASSETS

	Goodwill	Capitalised development costs	Other intangible assets	Total
Financial year 2017				
Carrying amount at beginning of year	**133,330**	**606**	**12,265**	**146,201**
Foreign exchange differences	–3,945	–34	–923	–4,902
Added		727	1	728
Reclassification		1,603		1,603
Sales and disposals			–1	–1
Amortisation		–1,594	–4,566	–6,160
Carrying amount at end of year	129,385	1,308	6,777	137,470
Carrying amount				
Cost	129,385	14,797	24,198	168,380
Accumulated amortisation and impairment		–13,489	–17,421	–30,910
31 December 2017	**129,385**	**1,308**	**6,777**	**137,470**
Financial year 2018				
Carrying amount at beginning of year	**129,385**	**1,308**	**6,777**	**137,470**
Foreign exchange differences	3,370	92	859	4,318
Added		671		617
Reclassification				
Sales and disposals				
Amortisation		–1,374	–5,082	–6,456
Carrying amount at end of year	**132,755**	**697**	**2,554**	**136,006**
Carrying amount				
Cost	132,755	15,560	25,057	173,369
Accumulated amortisation and impairment		–14,863	–22,503	–37,366
31 December 2018	**132,755**	**697**	**2,554**	**136,006**

GOODWILL BY CASH-GENERATING UNIT

31 Dec 2017	Carrying amount at beginning of year	Added	Other adjustments (foreign exchange effect)	Carrying amount at end of year
Sweden	20,400			20,400
Norway	7,197			7,197
Finland	14,223			14,223
USA	81,119		–3,945	77,174
Other	10,391			10,391
Total	**133,330**		**–3,945**	**129,385**

31 Dec 2018	Carrying amount at beginning of year	Added	Other adjustments (foreign exchange effect)	Carrying amount at end of year
Sweden	20,400			20,400
Norway	7,197			7,197
Finland	14,223			14,223
USA	77,174		3,370	80,544
Other	10,391			10,391
Total	**129,985**		**3,397**	**132,755**

The recoverable amount for a cash-generating unit (CGU, for the Group, country) is determined based on calculations of value in use. These calculations are made on the basis of estimated future cash flows before tax based on five-year financial budgets that have been approved by management. Cash flows beyond the five-year period are extrapolated using an estimated growth rate, as shown below. The growth rate does not exceed the long-term growth rate for the market in which the CGU operates.

For each CGU to which a significant amount of goodwill has been allocated, the material assumptions, long-term growth rates and discount rates used in calculating value in use are indicated below.

Note 18, cont.

31 Dec 2017	Sweden	Norway	Finland	USA	Other
Long-term growth rate, %	2	2	2	2	2
Pre-tax discount rate, %	9.2	11.7	11.1	10.4	11.0

31 Dec 2018	Sweden	Norway	Finland	USA	Other
Long-term growth rate, %	2	2	2	2	2
Pre-tax discount rate, %	9.0	9.3	9.0	10.7	10.1

The five-year forecasting period is based on the budget and unchanged sales margins and sales composition. The five-year period is also based on previous earnings and management's expectations of market development as well as external information sources.

No reasonable change in critical assumptions would result in the carrying amount exceeding the recoverable amount.

NOTE 19 FINANCIAL INSTRUMENTS BY CATEGORY

31 DEC 2018

	Assets at amortised cost	Total
Assets in balance sheet		
Non-current financial assets	3,938	3,938
Trade receivables	314,005	314,005
Cash and cash equivalents	113,917	31,917
Total	**431,860**	**431,860**

	Other financial liabilities	Total
Liabilities in balance sheet		
Borrowings	103,162	103,162
Trade payables	231,472	231,472
Total	**334,634**	**334,635**

31 DEC 2017

	Loans and receivables	Total
Assets in balance sheet		
Non-current financial assets	1,003	1,003
Trade receivables	254,347	254,347
Cash and cash equivalents	31,206	31,206
Total	**286,556**	**286,556**

	Other financial liabilities	Total
Liabilities in balance sheet		
Borrowings	165,064	165,064
Trade payables	192,893	192,893
Total	**357,957**	**357,957**

Fair value:
For most of the Group's borrowing, the carrying amount on borrowing corresponds to its fair value given that the interest on this borrowing is in parity with prevailing market rates or because the borrowing is short-term.

NOTE 20 FINANCIAL ASSETS

	31 Dec 2018	31 Dec 2017
Opening value	**1,003**	**463**
Foreign exchange differences	39	–27
Subsequent purchases	2,907	586
Reclassifications		
Sales and disposals	–11	–19
Closing value	**3,938**	**1,003**

Financial assets refer to deposits for leases in Denmark, Finland, France, Italy and the USA. Together with restricted funds for state customers in Russia.

NOTE 21 TRADE RECEIVABLES

	31 Dec 2018	31 Dec 2017
Trade receivables	317,726	258,299
Provision for doubtful debts	–3,721	–3,952
Net trade receivables	**314,005**	**254,347**

The fair value of trade receivables is equal to the carrying amount, as the discount effect is insignificant.

At 31 December 2018, the Group had past due trade receivables of kSEK 65,041 (57,029). The age structure of these trade receivables is shown below:

	31 Dec 2018	31 Dec 2017
1–30 days	47,150	41,967
31–90	10,574	8,261
> 91 days	7,316	6,801
Total trade receivables past due	**65,041**	**57,029**

At 31 December 2018, the Group had recognised impairment of trade receivables of kSEK 3,721 (3,952).

The carrying amounts, for each currency, of the Group's trade and other receivables are as follows:

	31 Dec 2018	31 Dec 2017
SEK	3,311	2,147
EUR	28,721	21,114
USD	212,384	174,224
GBP	41,386	17,856
Other	28,199	39,006
Total	**314,005**	**254,347**

Changes in the provision for doubtful debts are as follows:

	2018	2017
1 January	**3,952**	**4,622**
Provisions for credit losses	483	507
Impairment for the year	–112	–444
Reversal of unused provisions	–543	–165
Foreign exchange differences	–59	–568
31 December	**3,721**	**3,952**

Provisions and reversals of provisions for doubtful debts are included in the item Other external expenses in profit or loss (Note 8).

Other categories in trade and other receivables do not include any impaired assets. The maximum exposure to credit risk at the balance sheet date is the carrying amount, as shown above.

The Group has not received any pledge as security for trade receivables but the majority of the Group's trade receivables are insured with a credit insurance company.

NOTE 22 INVENTORIES

	31 Dec 2018	31 Dec 2017
Raw materials and consumables	110,897	97,455

The cost for inventories that has been expensed is included in the item Raw materials and consumables in profit or loss, and amounts to kSEK 1,079,295 (906,034).

The Group did not recognise any reversals of impairment losses on inventories in 2018 or 2017.

Inventories, which totalled kSEK 110,897 (97,455) at the closing date, consist exclusively of goods with fixed orders from customers.

NOTE 23 OTHER CURRENT RECEIVABLES

	31 Dec 2018	31 Dec 2017
Tax assets	4,568	267
VAT receivables	434	7,629
Other receivables	8,357	8,037
Total	**13,359**	**15,933**

NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec 2018	31 Dec 2017
Prepaid rents	747	605
Accrued commission	7,794	4,309
Service contracts	1,618	390
Other items	6,730	4,061
Total	**16,889**	**9,365**

NOTE 25 CASH AND CASH EQUIVALENTS

	31 Dec 2018	31 Dec 2017
Bank deposits	113,917	31,206
Total	**113,917**	**31,206**

NOTE 26 SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

	Number of shares ('000)	Share capital	Other additional paid-in capital	Total
31 December 2017	**15,130**	**1,513**	**117,589**	**119,102**
Issue of new shares	1,333	133	99,867	100,000
Proceeds from sale of warrants	387	39	4,164	4,203
Issue expenses			–20,004	
31 December 2018	**16,847**	**1,685**	**201,616**	**203,301**

The share capital comprises 16,847,124 shares with a quotient value of SEK 0.10. Each share carries one vote. All shares issued by the Parent Company are fully paid up.

Preference shares

During the second quarter 2018, the preference shares were converted into ordinary shares following a resolution of the Annual General Meeting on 14 March 2018. As the company's preference shares, in addition to interest payments, entitle the holder to dividends on the same terms as for ordinary shares, the total number of shares (i.e. ordinary shares and preference shares) is used in calculating earnings per share. In connection with the IPO, all outstanding warrants were exercised to acquire new shares. The following applies to the company's previous preference shares. In May 2011, NCAB issued preference shares. Preference shares have preferential rights to dividends over ordinary shares, earning annual interest at a rate calculated from 1 May 2011. In case of liquidation, preference shares have preferential rights over ordinary shares in respect of dividends on the above terms, less what has previously accrued to holders of preference shares in the form of dividends with preferential rights. Preference shares carry one vote each in the same way as ordinary shares and there are no repayment terms in respect of the preference shares.

Split

The Annual General Meeting on 14 March 2018 resolved to approve a 10:1 stock split. Earnings per share have been calculated retrospectively based on the total number of shares after the stock split for each period.

Issue of new shares

The Group issued a total of 1,720,334 shares on three occasions in 2018 for a total consideration of kSEK 104,203. 387,000 of the shares relate to the exercise of options and the other 1,333,334 were issued as new shares in conjunction with the IPO. The issued shares have the same rights as other issued shares.

Dividend

In 2018, the Group paid a dividend of SEK 2.7 million, SEK 0 per ordinary share and SEK 9.28 per preference share. The amount consists exclusively of interest to holders of preference shares.

At the Annual General Meeting on 13 May 2019, it will be proposed that a dividend of kSEK 75,812 be paid, SEK 4.50 per ordinary share.

Employee warrants

The company previously had warrants for employees. These were redeemed in connection with the IPO. Currently, there are no warrants.

Changes in the number of outstanding warrants and their weighted average exercise prices are as follows:

	2018	2017
	Warrants	Warrants
1 January	38,700	47,400
Allocated		5,400
Exercised	–38,700	–14,100
31 December		**38,700**

The fair value of allocated warrants is determined using the Black-Scholes option pricing model. Key inputs in the model were the weighted average share value on the allocation date, the above exercise price and volatility. Volatility is measured as the standard deviation of the expected return on the share price based on a statistical analysis of daily share prices over the last three years.

	2017	2014	2013
Average purchase price	7.93	2.77	2.79
Average share price on allocation date	350.84	103.00	103.00
Volatility, %	20	20	20
Risk-free rate, %	0.224	1.480	1.502

During the year, warrants were converted into ordinary shares, resulting in an impact on equity totalling kSEK 4,203 and cash flow of kSEK 4,171. This had no effect on recognised profit.

NOTE 27 BORROWINGS

	31 Dec 2018	31 Dec 2017
Liabilities to credit institutions		
Long-term	85,000	
Short-term	18,162	165,064
Total borrowings	**103,162**	**165,064**

BANK LOANS

The Group's borrowing was primarily conducted in USD and SEK, but borrowing was solely in SEK as of 31 December 2018.

Under the covenants associated with liabilities to credit institutions, net debt must not exceed 2.5 times EBITDA, cash flow/financing costs (interest and repayments of principal) must exceed 1.0.

Due to the provisions for unforeseen costs in the tax dispute in Russia, the company was unable to meet the covenant relating to equity/assets ratio as at the closing date in 2017. In accordance with IFRS, all bank loans were therefore recognised as current liabilities as of the closing date in 2017. The company received a waiver. The bank thereby waived its right to early redemption.

The company has renegotiated its loans in 2018. The old loans in USD and SEK were repaid and replaced with two new loans of SEK 50 million each. One of the loans has quarterly repayments and one is free of instalments. The last instalment date is in June 2023. The interest rate is LIBOR/STIBOR +2.5%. During the year, the average interest rate was 2.125% (3.2).

The collateral for the loans consists of shares in subsidiaries valued at kSEK 268,559 (Note 33).

OVERDRAFT FACILITY

The Group has an agreed overdraft facility with a limit of kSEK 113,000 in the currencies SEK, EUR, USD, GBP, DKK and NOK. Of the agreed limit, kSEK 8,087 had been drawn at 31 December 2018 (41,901). The interest rate on the overdraft facility is LIBOR/STIBOR +1.5% and interest is paid quarterly. The terms of the overdraft facility are linked to the covenants for the bank loans, see above.

The carrying amounts and fair values for borrowings are as follows:

	Carrying amount		Fair value	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Liabilities to credit institutions	103,162	165,064	103,162	165,064
Total	**103,162**	**165,064**	**103,162**	**165,064**

The fair value of short-term borrowings is equal to the carrying amount, as the discount effect is insignificant. Liabilities to credit institutions are classified in Level 2 of the fair value hierarchy.

The carrying amounts, by currency, for the Group's borrowings are as follows:

	31 Dec 2018	31 Dec 2017
SEK	95,000	63,867
EUR		767
USD	8,087	101,570
Other currencies	–75	–1,139
Total	**103,162**	**165,064**

The Group has the following undrawn credit facilities:

	31 Dec 2018	31 Dec 2017
Variable interest:		
– no maturity date	104,913	36,447
Total	**104,913**	**36,447**

NOTE 28 DEFERRED TAX

The breakdown of deferred tax assets and liabilities is as follows:

	31 Dec 2018	31 Dec 2017
Deferred tax assets:		
– deferred tax assets usable after more than 12 months	4,315	750
– deferred tax assets usable within 12 months	3,446	
Deferred tax liabilities:		
– deferred tax liabilities payable after more than 12 months	2,860	3,454
– deferred tax liabilities payable within 12 months		
Net deferred tax assets	**2,099**	**–2,704**

The gross change in respect of deferred taxes is as follows:

	2018	2017
Opening balance	**750**	**1,858**
Foreign exchange differences	–193	–166
Reclassification		
Recognised in profit or loss (Note 13)	7,498	–942
Closing balance	**7,761**	**750**

The change in deferred tax assets and liabilities during the year, without taking account of netting in the same tax jurisdiction, is shown below:

Deferred tax liabilities	Other	Total
1 January 2017		
Recognised in profit or loss	3,454	3,454
31 December 2017	3,454	3,454
Recognised in profit or loss	–594	–594
31 December 2018	2,860	2,860

Deferred tax assets	Intangible assets	Tax losses	Total
1 January 2018	750		750
Recognised in profit or loss	–113	7,017	6,904
New tax rate, USA			
Foreign exchange differences	107	–1	106
31 December 2018	744	7,014	7,761

Deferred tax assets are recognised for tax losses to the extent that it is probable that these can be used to offset future taxable profits. The Group has not recognised deferred tax assets of kSEK 0 (9,757) relating to losses of kSEK 0 (32,999).

NOTE 29 PROVISIONS

As a result of the settlement the company reached with the Russian tax authority over a claim relating to a previous subcontractor's reporting and payment of VAT for the years 2013–2015, kSEK 17,595 has been set aside in provisions in the 2017 annual accounts. The final settlement took place in the first quarter of 2018. The final settlement impacted cash flow by kSEK 18,495 in 2018 and was paid in the first quarter.

NOTE 30 ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2018	31 Dec 2017
Accrued interest expense		44
Accrued holiday pay and bonuses	37,070	23,274
Accrued customer bonus	5,177	4,993
Accrued audit fees	2,312	1,118
Goods in transit		1,781
Other items	12,839	11,162
Total	**57,398**	**42,372**

NOTE 31 ADJUSTMENT FOR NON-CASH ITEMS

	2018	2017
Adjustments for:		
– depreciation of property, plant and equipment (Note 17)	3,028	2,380
– amortisation of intangible assets (Note 18)	6,456	6,160
– change, minority interest		–9
– minority share of profit for the year	116	56
– foreign exchange difference	–3,042	–9,032
Total	**6,558**	**–445**

NOTE 32 CASH FLOW FROM FINANCING ACTIVITIES

	1 January 2018	Cash flow	Non-cash change Unrealised foreign exchange difference	31 December 2018
Overdraft facility	41,901	–31,479	–2,260	8,162
Other loans	123,163	–32,907	4,744	95,000
	165,064		**2,484**	**103,162**
Cash and cash equivalents	–31,206		988	–113,916
	133,858	**17,082**	**3,472**	**–10,754**

	1 January 2017	Cash flow	Non-cash change Unrealised foreign exchange difference	31 December 2017
Overdraft facility	19,221	26,363	–3,683	41,901
Other loans	108,559	20,858	–6,254	123,163
	127,780	**47,221**	**–9,937**	**165,064**
Cash and cash equivalents	–39,856	7,800	850	–31,206
	87,924	**55,021**	**–9,087**	**133,858**

NOTE 33 PLEDGED ASSETS

For liabilities to credit institutions:

	31 Dec 2018	31 Dec 2017
Shares in subsidiaries (see below)	268,559	140,310
Total	**268,559**	**140,310**
Pledged assets – 100% of the shares of:		
NCAB Group Sweden AB	43,578	49,266
NCAB Group Iberia S.A.		3,364
NCAB Group Finland OY	38,150	32,936
NCAB Group Denmark ApS	8,541	4,475
NCAB Group Norway AS	35,723	27,988
NCAB Group Germany GmbH		
NCAB Polska Sp. Z.o.o		9,214
NCAB Group USA Inc.	113,904	
NCAB Group UK Ltd	28,663	13,067

In addition to the above, there are also chattel mortgages issued by NCAB Group Sweden of SEK 55.0 million (55.0).

NOTE 34 OPERATING LEASES

OPERATING LEASE OBLIGATIONS

The Group leases cars and photocopiers under non-cancellable operating leases. The lease terms vary from one to three years and most leases can be extended at the end of the lease term for a fee that is in line with market rates. The Group also leases various premises under cancellable operating leases. The period of notice for the Group under these contracts ranges from six to 36 months. Lease payments of kSEK 15,138 (10,179) largely attributable to leases for premises have been recognised in profit or loss.

Future total minimum lease payments under non-cancellable operating leases fall due as follows:

	2018	2017
Within 1 year	14,264	11,016
Between 1 and 5 years	18,147	20,442
More than 5 years	6,696	795
Total	**39,107**	**32,253**

NOTE 35 RELATED PARTIES

The following transactions have been made with related parties:

(a) Sale of goods and services

	2018	2017
Sale of goods:		
– Ericon (33% owned by Vladimir Makarov, MD in NCAB Russia)	9,589	6,748
– Ericon Assembly (25% owned by Vladimir Makarov, MD in NCAB Russia)	1,558	1,609
Total	**11,147**	**8,357**

(b) Remuneration of executive management
Executive management has received the following remuneration:

	2018	2017
Salaries and other short-term benefits	23,060	11,143
Share-based remuneration		
Other long-term benefits		
Post-employment benefits (pension contributions)	1,436	784
Total	**24,497**	**11,927**

The Group only has defined contribution pension plans. Retirement benefit cost refers to the cost which affects profit for the year. For more information about pensions, see below.

DEFINED CONTRIBUTION PENSION

The retirement age for the Chief Executive Officer is 65 years. The pension premium is 20% of the pensionable pay. Pensionable pay refers to the basic salary plus average variable pay for the last three years.

For other executive management, the retirement age is 65 years. The pension agreement states that the pension premium is 4–20% of the pensionable pay.

TERMINATION AND SEVERANCE PAY

The CEO's employment contract is terminable on 12 months' notice in case of termination by the company and on six months' notice in case of termination by the CEO. There is no agreement on severance pay.

The contracts between the company and executive management are subject to one–nine months' notice by either party.

Remuneration and other benefits 2018

	Basic salary/ fees	Variable remuneration	Pension costs	Share-based remuneration	Other remuneration	Total
Christian Salamon, Chairman of the Board	762					762
Jan-Olof Dahlén	350					350
Magdalena Persson	425					425
Gunilla Rudebjer	600					600
Hans Ramel	400					400
Per Hesselmark	375					375
Hans Ståhl, Chief Executive Officer	1,958	1,046	376		101	3,482
Other executive management (ten persons)	13,281	2,361	1,060		1,398	18,101
Total	**18,152**	**3,407**	**1,436**		**1,499**	**24,497**

Remuneration and other benefits 2017

	Basic salary/ fees	Variable remuneration	Pension costs	Share-based remuneration	Other remuneration	Total
Christian Salamon, Chairman of the Board	200					200
Jan-Olof Dahlén	100					100
Magdalena Persson	100					100
Gunilla Rudebjer	100					100
Hans Ramel	100					100
Per Hesselmark	100					100
Hans Ståhl, Chief Executive Officer	1,776	1,670	327			3,774
Other executive management (six persons)	5,069	1,928	456			7,453
Total	**7,545**	**3,598**	**784**			**11,927**

Note 35, cont.

(c) Receivables and liabilities at year-end due to sales and purchases of goods and services

	31 Dec 2018	31 Dec 2017
Receivables from related parties:		
– Trade receivables, Ericon	1,706	1,265
– Trade receivables, Ericon Assembly	400	49

Receivables from related parties mainly relate to sales transactions and fall due 2 months after the sale date. The Group holds no collateral for these receivables and no interest is payable. The Group has not made any provisions for doubtful debts for receivables from related parties (0).

(d) Loans to related parties
The Group has no loans to related parties.

(e) Pledged assets and contingent liabilities on behalf of related parties
The Group has no pledged assets or contingent liabilities on behalf of related parties.

NOTE 36 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 4 March 2019, an agreement was signed to acquire 100% of the shares in Multiprint A/S in Denmark for kSEK 45,126. The acquisition is expected to strengthen the Group's position in the Danish market. The Group also gains a number of new customers with significant potential and skilled employees. Together with NCAB's existing operations in Denmark, the Group is now market leader in Denmark.

The financial effects of this transaction were not reported on 31 December 2018. Operating profit together with assets and liabilities associated with the acquired company will be consolidated from 4 March 2019.

The goodwill of kSEK 25,471 which arose from the acquisition is attributable to an increased market presence (which is not separable) and expected synergies from the merger of the Group's and Multiprint's operations.

Purchase consideration, 4 March 2019	
Cash and cash equivalents	45,126
Additional consideration (net profit 2018)	6,261
Total consideration	**51,387**

Carrying amounts (preliminary fair value) of identifiable acquired assets and assumed liabilities in Multiprint A/S on acquisition date:

Carrying amounts of identifiable acquired assets and assumed liabilities	
Cash and cash equivalents	474
Property, plant and equipment	338
Customer relationships (included in intangible assets)	7,000
Inventories	11,467
Trade receivables	14,013
Prepaid expenses	80
Accrued expenses	–858
VAT	–4,586
Trade payables	–2,012
Total identifiable net assets	**25,916**
Goodwill	**25,471**

The goodwill which occurs is not expected to be tax deductible.

Acquisition-related expenses are estimated at approximately kSEK 700 and will burden operating expenses in the consolidated income statement for the 2019 financial year.

Since the financial statements were approved before the transaction, the Group had not completed reporting the business acquisition of Multiprint. Fair value of the acquired assets and liabilities in accordance with the above is preliminary, pending a final valuation. Nor is it possible to provide detailed information about every type of acquired receivable and any contingent liabilities in the acquired business.

NOTE 37 DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES

Some of the information contained in this report that is used by management and analysts to assess the Group's performance has not been prepared in accordance with IFRS. Management believes that this information helps investors to analyse the Group's financial performance and financial position. Investors should regard this information as complementary rather than as replacing financial reporting in accordance with IFRS.

Alternative performance measure	Definition	Purpose
Gross profit	Net sales less raw materials and consumables adjusted for translation differences on trade receivables and trade payables.	Gross profit provides an indication of the surplus that is needed to cover fixed and semi-fixed costs in the NCAB Group.
Gross margin	Gross profit divided by net sales.	The gross margin provides an indication of the surplus as a percentage of net sales that is needed to cover fixed and semi-fixed costs in the NCAB Group.
EBITDA	Operating profit before depreciation, amortisation and impairment of property, plant and equipment, and intangible assets.	EBITDA along with EBITA provide an overall picture of operating earnings.
Adjusted EBITDA	Operating profit before depreciation, amortisation and impairment of property, plant and equipment, and intangible assets adjusted for extraordinary items.	Adjusted EBITDA is adjusted for extraordinary items. NCAB therefore considers that it is a useful performance measure for showing the company's operating earnings.
EBITA	Operating profit before amortisation and impairment of goodwill and acquisition-related intangible assets.	EBITDA provides an overall picture of operating earnings.
Adjusted EBITA	Operating profit before amortisation and impairment of goodwill and acquisition-related intangible assets adjusted for extraordinary items.	Adjusted EBITA is adjusted for extraordinary items. NCAB therefore considers that it is a useful performance measure for showing the company's operating earnings.
Adjusted EBITA margin	Operating profit before amortisation and impairment of goodwill and acquisition-related intangible assets adjusted for extraordinary items, divided by net sales.	The adjusted EBITA margin is adjusted for extraordinary items. NCAB therefore considers that it is a useful performance measure for comparing the company's margin with other companies regardless of whether the business is driven by acquisitions or organic growth.
Return on equity	Net profit/loss for the year divided by average equity.	Return on equity is used to analyse the company's profitability, based on how much equity is used.
Equity/assets ratio	Equity and untaxed reserves net of deferred tax, divided by total assets.	NCAB considers that this is a useful measure for showing what portion of total assets is financed by equity. It is used by management to monitor the Group's long-term financial position.
Net debt	Interest-bearing liabilities less cash and cash equivalents.	Net debt is a measure which shows the company's total indebtedness.
Net working capital	Current assets, excluding cash and cash equivalents less non-interest bearing current liabilities.	This measure shows how much working capital that is tied up in NCAB's operations.

Note 37, cont.

GROSS PROFIT

SEK million	2018	2017
Net sales	1,617.0	1,400.1
Other operating income	4.7	2.1
Raw materials and consumables	–1,117.2	–977.8
Translation differences	1.7	–1.9
Total gross profit	**506.1**	**422.5**
Gross margin, %	31.3	30.2

EBITA AND ADJUSTED EBITA

SEK million	2018	2017
Operating profit	127.6	65.6
Amortisation and impairment of intangible assets	4.6	4.6
EBITA	**132.2**	**70.2**
EBITA margin, %	8.2	5.0
Extraordinary items	11.6	43.5
Adjusted EBITA	**143.8**	**113.7**
Adjusted EBITA margin, %	8.9	8.1

EBITDA AND ADJUSTED EBITDA

SEK million	2018	2017
Operating profit	127.6	65.6
Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets	8.9	8.5
EBITDA	**136.6**	**74.1**
EBITDA margin, %	8.4	5.3
Extraordinary items	11.6	43.5
Adjusted EBITDA	**148.1**	**117.6**
Adjusted EBITDA margin, %	9.2	8.4

RETURN ON EQUITY

SEK million	2018	2017
Net profit for the year	104.6	40.4
Equity (average)	201.5	133.0
Return on equity, %	**51.9**	**30.3**

EQUITY/ASSETS RATIO

SEK million	31 Dec 2018	31 Dec 2017
Equity	296.6	106.4
Total	**296.6**	**106.4**
Total assets	722.5	554.3
Equity/assets ratio, %	**41.0**	**19.2**

NET DEBT

SEK million	31 Dec 2018	31 Dec 2017
Interest-bearing liabilities	103.2	165.1
Cash and cash equivalents	–113.9	–31.2
Total net debt	**–10.8**	**133.9**
Adjusted EBITDA	148.1	117.6
Net debt/Adjusted EBITDA	**–0.1**	**1.1**

NET WORKING CAPITAL

SEK million	2018	2017
Inventories	110.9	97.5
Trade receivables	314.0	254.3
Other current receivables	13.4	15.9
Prepaid expenses and accrued income	16.9	9.4
Trade payables	–231.4	–192.9
Current tax liabilities	–9.8	–7.1
Other current liabilities	–21.2	–19.4
Accrued expenses and deferred income	–57.4	–42.4
Net working capital	**135.3**	**115.3**

NOTE 38 PROPOSED APPROPRIATION OF RETAINED EARNINGS

The Annual General Meeting is asked to decide on the appropriation of the following earnings:

Share premium account		201,581,621
Retained earnings		–31,520,733
Net profit for the year		42,569,379
	SEK	**212,630,267**

The Board of Directors proposes the following appropriation of retained earnings:

a dividend payment to holders of ordinary shares of SEK 4.50 per share, totalling		75,812,058
carried forward		136,818,209
	SEK	**212,630,267**

Parent Company income statement

kSEK	Note	2018	2017
Operating revenue			
Net sales	41	57,355	55,358
Total			
Other external expenses	42, 44	–42,450	–30,007
Staff costs	43	–23,314	–22,739
Depreciation of property, plant and equipment, and amortisation of intangible assets	51, 52	–855	–979
Other operating expenses	45	–10,601	–11,624
Total operating expenses		**–77,220**	**–65,350**
Operating loss		**–19,865**	**–9,992**
Income from investments in Group companies	46	22,865	26,642
Other interest income and similar income	47	14,764	47,163
Interest expense and similar charges	47, 50	–35,948	–33,275
Net financial income		**1,682**	**40,530**
Profit/loss before tax		**–18,183**	**30,538**
Appropriations	48	61,000	–1,000
Tax on profit for the year	49	–248	–693
Net profit for the year		**42,569**	**28,845**

The Parent Company has no items which are accounted for as other comprehensive income. Total comprehensive income is therefore the same as profit for the year.

The Notes on pages 80 to 85 form an integral part of this annual report.

Parent Company balance sheet

kSEK	Note	2018-12-31	2017-12-31
ASSETS			
Non-current assets			
Intangible assets			
Capitalised development expenditure	51	203	903
Total intangible assets		**203**	**903**
Property, plant and equipment			
Plant and equipment	52	130	192
Total property, plant and equipment		**130**	**192**
Non-current financial assets			
Investments in Group companies	53	215,002	205,754
Other non-current receivables		897	408
Total non-current financial assets		**215,899**	**206,163**
Total non-current assets		**216,232**	**207,258**
Current assets			
Current receivables			
Trade receivables		1,331	583
Receivables from Group companies	54	115,779	128,819
Other current receivables	55	2,052	7,045
Prepaid expenses and accrued income	56	3,370	1,954
Total current receivables		**122,532**	**138,401**
Cash and bank balances	57	**69,298**	**100**
TOTAL ASSETS		**408,062**	**345,759**

The Notes on pages 80 to 85 form an integral part of this annual report.

Parent Company balance sheet, cont.

kSEK	Note	2018-12-31	2017-12-31
EQUITY AND LIABILITIES			
Equity	26, 58		
Restricted equity			
Share capital (16,847,124 ordinary shares)		1,685	1,513
Non-restricted equity			
Share premium account		201,582	117,587
Retained earnings		–31,521	–57,664
Net profit for the year		42,569	28,845
Total equity		**214,315**	**90,282**
Untaxed reserves	48	8,800	8,800
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	59, 62	85,000	
Total non-current liabilities		**85,000**	
Current liabilities			
Liabilities to credit institutions	59, 62	10,000	123,803
Trade payables		2,932	12,111
Overdraft facility	59		37,681
Liabilities to Group companies	54	75,545	63,329
Current tax liabilities		173	1,528
Other current liabilities		1,380	
Accrued expenses and deferred income	60	9,917	8,225
Total current liabilities		**99,947**	**246,677**
TOTAL EQUITY AND LIABILITIES		**408,062**	**345,759**

Due to non-compliance with a solvency covenant at 31 December 2017, all bank loans were classified as non-current liabilities. The company received a waiver from the bank. See Note 59.

The Notes on pages 80 to 85 form an integral part of this annual report.

Parent company statement of changes in equity

		Restricted equity	Non-restricted equity		
	Note	Share capital	Share premium account	Retained earnings and net profit for the year	Total equity
Opening balance, 1 January 2017	26, 58	**1,497**	**115,323**	**32,336**	**149,155**
Comprehensive income					
Net profit for the year				28,845	28,845
Total comprehensive income				**28,845**	**28,845**
Issue of new shares	26, 58	16	2,222		2,238
Proceeds from sale of warrants	26, 58		43		43
Dividend, ordinary shares	26, 58			–65,003	–65,003
Dividend, preference shares	26, 58			–24,997	–24,997
Total transactions with shareholders, recognised directly in equity		**16**	**2,265**	**–90,000**	**–87,719**
Closing balance, 31 December 2017		**1,513**	**117,588**	**–28,819**	**90,282**
Opening balance on 1 January 2018	26, 58	**1,513**	**117,588**	**–28,819**	**90,282**
Comprehensive income					
Net profit for the year				42,569	42,569
Total comprehensive income				**42,569**	**42,569**
Issue of new shares	26, 58	133	99,867		100,000
Proceeds from sale of warrants	26, 58	39	4,131		4,170
Dividend, preference shares				–2,702	–2,702
Issue expenses			–20,004		–20,004
Total transactions with shareholders, recognised directly in equity		**172**	**83,994**	**–2,702**	**81,464**
Closing balance, 31 December 2018		**1,685**	**201,582**	**11,048**	**214,315**

The Notes on pages 80 to 85 form an integral part of this annual report.

Parent Company statement of cash flows

kSEK	Note	31 Dec 2018	31 Dec 2017
Cash flow from operating activities			
Loss before net financial income/expense		–19,865	–9,992
Adjustment for non-cash items	61	4,979	9,894
Interest received		63,660	9,557
Dividends received		22,865	26,642
Interest paid		–84,843	–11,822
Income taxes paid		–1,604	–3,983
Cash flow from operating activities before changes in working capital		**–14,808**	**20,296**
Change in current receivables		11,774	–9,018
Change in current operating liabilities		29,377	28,243
Total changes in working capital		**41,151**	**19,225**
Cash flow from operating activities		**26,343**	**39,521**
Cash flow from investing activities			
Investments in property, plant and equipment	52	–86	–107
Investments in financial assets		–489	
Investments in subsidiaries	53	–9,248	–25
Cash flow from investing activities		**–9,822**	**–132**
Cash flow from financing activities			
Issue of new shares	26, 58	104,170	2,281
Dividend	26, 58	–2,702	–90,000
Change in overdraft facility			26,900
Borrowings		100,000	57,225
Repayment of loans		–128,787	–35,795
Issue expenses		–20,004	
Cash flow from financing activities		**52,677**	**–39,389**
Decrease/increase in cash and cash equivalents			
Cash flow for the year		69,198	
Cash and cash equivalents at beginning of year		100	100
Cash and cash equivalents at end of year		**69,298**	**100**

The Notes on pages 80 to 85 form an integral part of this annual report.

Parent Company notes

NOTE 39 GENERAL INFORMATION

NCAB Group AB (publ) is the Parent Company of NCAB Group, which is a global company engaged in the production of printed circuit boards (PCBs). The Parent Company is a public limited liability company registered in Sweden with its head office in Stockholm. The address of the head office is Mariehällsvägen 37 A, SE-168 65 Bromma. Since June 2018, the Parent Company is listed on Nasdaq Stockholm.

Unless otherwise specifically indicated, all amounts refer to thousands of Swedish kronor (kSEK). Figures in parentheses refer to the comparative year.

NOTE 40 SUMMARY OF SIGNIFICANT PARENT COMPANY ACCOUNTING POLICIES

Significant accounting policies applied in preparing these annual accounts are described in the following. Unless otherwise stated, these policies have been applied consistently for all the years presented.

The annual accounts of NCAB Group AB (the Parent Company) have been prepared in accordance with RFR 2 Financial Reporting for Legal Entities and the Swedish Annual Accounts Act. In cases where the Parent Company applies other accounting policies than the Group's accounting policies, as described in Note 2 to the consolidated financial statements, this is indicated in the following.

The annual accounts have been prepared in accordance with the cost method.

Preparing financial statements in compliance with RFR 2 requires the use of critical accounting estimates. Management is also required to make certain judgements in applying the Parent Company's accounting policies. Areas which involve a high degree of judgement, are complex or where assumptions and estimates have a material impact on the annual accounts are described in Note 4 to the consolidated financial statements.

Through its activities, the Parent Company is exposed to a wide range of financial risks: market risk (comprising currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk. The Parent Company's overall risk management policy focuses on the unpredictability of financial markets and strives to minimise potential adverse effects on the Group's financial results. For more information on financial risks, see Note 3 to the consolidated financial statements.

The Parent Company applies other accounting policies than the Group in the cases indicated below.

Formats

The format prescribed in the Swedish Annual Accounts Act is used for the income statement and balance sheet. The statement of changes in equity follows the format used in the Group but is required to contain the components specified in the Annual Accounts Act. This also means that different names are used than in the consolidated financial statements, primarily with regard to financial income and expense, and equity.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any impairment. Cost includes acquisition-related costs. When there is an indication that investments in subsidiaries are impaired, an estimate is made of the recoverable amount. If the recoverable amount is less than the carrying amount, an impairment loss is recognised. Impairment losses are recognised in the item Income from investments in Group companies.

Financial instruments

IFRS 9 is not applied in the Parent Company, and financial instruments are measured at cost. In subsequent periods, financial assets which have been acquired with the intention of being held for the short term are recognised at the lower of cost or market value in accordance with the lower of cost or market method.

At each balance sheet date, the Parent Company assesses whether there are any indicators that financial assets may be impaired. An impairment loss is recognised if the decline in value is deemed to be permanent. Impairment losses on interest-bearing financial assets at amortised cost are defined as the difference between the carrying amount of the asset and the present value of management's best estimate of future cash flows discounted at the asset's original effective interest rate. The impairment loss for other non-current financial assets is defined as the difference between the carrying amount and the higher of fair value less selling expenses and the present value of future cash flows (based on management's best estimate).

NOTE 41 BREAKDOWN OF NET SALES

Net sales by geographic location of customers. The Parent Company's revenue comes exclusively from services to Group companies.

	2018	2017
Nordic region	15,857	15,465
Rest of Europe	25,100	22,672
North America	12,054	13,081
Asia	4,344	4,140
Total	**57,355**	**55,358**

NOTE 42 OTHER EXTERNAL EXPENSES

	2018	2017
Cost of premises	1,728	1,066
Travel expenses	3,038	2,424
Marketing	12,326	6,114
IT	9,875	8,643
Other	15,483	11,760
Total	**42,450**	**30,007**

NOTE 43 EMPLOYEE BENEFITS, ETC.

	2018	2017
Salaries and other benefits	15,735	13,213
Social security contributions	5,252	4,781
Retirement benefit costs – defined contribution plans	1,691	1,300
Total employee benefits	**22,678**	**19,294**

Salaries and other benefits:

	2018		2017	
	Salaries and other benefits (of which bonuses)	Retirement benefit costs	Salaries and other benefits (of which bonuses)	Retirement benefit costs
Directors, CEOs and other senior executives	9,065 (1,779)	711	4,808 (2,803)	595
Other employees	6,669	980	8,405	705
Total	**15,735**	**1,691**	**13,213**	**1,300**

Average number of employees by country:

	2018		2017	
	Average number of employees	Of whom, women	Average number of employees	Of whom, women
Sweden	13	6	11	4
Total	**13**	**6**	**11**	**4**

Note 43, cont.

Gender distribution for Directors and other executive management:

	2018		2017	
	On balance sheet date	Of whom, women	On balance sheet date	Of whom, women
Directors	6	2	6	2
CEO and other executive management	3		3	
Total	**9**	**2**	**9**	**2**

NOTE 44 AUDIT FEES

	2018	2017
PwC		
– Audit engagement	740	699
– Audit services in addition to audit engagement	1,012	118
– Tax advisory services	11	45
– Other services	1,943	2,236
Total	**3,706**	**3,098**

NOTE 45 OTHER OPERATING EXPENSES

	2018	2017
IPO preparation costs	10,601	11,624
Total	**10,601**	**11,624**

NOTE 46 INCOME FROM INVESTMENTS IN GROUP COMPANIES

	2018	2017
Dividends	22,865	26,642
Total	**22,865**	**26,642**

NOTE 47 INTEREST INCOME AND SIMILAR INCOME, AND INTEREST EXPENSE AND SIMILAR CHARGES

	2018	2017
Interest income on bank balances	536	103
Interest income on receivables from Group companies	14,229	9,454
Foreign exchange gains		37,606
Foreign exchange losses		–21,453
Total interest income and similar income	**14,765**	**25,710**

	2018	2017
Interest expense on liabilities to credit institutions	6,985	5,453
Interest expense on liabilities to Group companies	8,671	5,320
Foreign exchange gains	–48,895	
Foreign exchange losses	68,595	
Other financial expense	592	1,049
Total interest expense and similar charges	**35,948**	**11,822**
Net financial income/expense	**–21,183**	**13,888**

NOTE 48 APPROPRIATIONS

	2018	2017
Group contributions from NCAB Group Sweden AB	61,000	
Provision, Tax allocation reserve		–1,000
Total appropriations	**61,000**	**–1,000**

The total tax allocation reserve is kSEK 8,800 (8,800).

NOTE 49 TAX ON PROFIT FOR THE YEAR

Tax recognised in income statement	2018	2017
Current tax:		
Current tax on profit for the year	–156	–693
Adjustments relating to prior years	–92	
Total current tax	**–248**	**–693**

The income tax on profit before tax differs from the theoretical amount that would have resulted from the use of the tax rate for the earnings of the Parent Company as follows:

	2018	2017
Profit before tax	**42,817**	**29,538**
Income tax calculated at tax rate in Sweden (22%)	–9,419	–6,498
Tax effects of:		
Non-taxable income	–7	4
Non-taxable dividend	5,030	5,862
Non-deductible expenses	–160	–63
Deductible expenses not included in profit or loss	4,400	
Adjustments for previous year	–92	
Total reported tax	**–248**	**–693**

NOTE 50 NET FOREIGN EXCHANGE DIFFERENCE

Foreign exchange differences have been recognised in profit or loss as follows:

	2018	2017
Net financial income/expense (Note 47)	–19,700	16,153
	–19,700	**16,153**

As of 2018, the company recognises foreign exchange differences on a net basis in Other interest income and similar income and Interest expense and similar charges. For 2017 and in previous reports, foreign exchange differences were reported on a gross basis.

NOTE 51 INTANGIBLE ASSETS

Capitalised development costs:

	2018	2017
Cost		
Opening balance	4,331	2,231
Purchases for the period	7	
Reclassification		2,100
Closing balance	**4,338**	**4,331**
Accumulated amortisation and impairment		
Opening balance	–3,428	–2,092
Amortisation	–707	–839
Reclassification		–497
Closing balance	**–4,135**	**–3,428**
Carrying amount		
Cost	4,338	4,331
Accumulated amortisation and impairment	–4,135	–3,428
Closing balance	**203**	**903**

During 2017, a reclassification of assets was made. The assets concerned were previously accounted for as property, plant and equipment but are now accounted for as intangible assets. The reclassification comprises kSEK 2,100 in cost and kSEK 497 in accumulated depreciation/amortisation and impairment.

NOTE 52 PROPERTY, PLANT AND EQUIPMENT

Plant and equipment:

	2018	2017
Opening balance		
Cost	1,251	3,524
Accumulated depreciation	–1,060	–1,416
Carrying amount	**192**	**2,108**
Purchases for the period	86	107
Sales and disposals for the period		280
Depreciation for the period	–147	–141
Reclassification		–1,603
Closing balance		
Cost	1,337	1,251
Accumulated depreciation	–1,207	–1,060
Carrying amount	**130**	**192**

NOTE 53 PARTICIPATIONS IN GROUP COMPANIES

	31 Dec 2018	31 Dec 2017
Cost at beginning of year	205,754	205,729
Acquisition, subsidiaries		25
Capital contributions	9,248	
Cost at end of year	**215,002**	**205,754**
Carrying amount at end of year	**215,002**	**205,754**

Name	Country of registration and operation	Corp. ID no.	Percentage of ordinary shares owned directly by the Parent Company	Percentage of ordinary shares owned by the Group	Carrying amount 31 December 2018	Carrying amount 31 December 2017
NCAB Group Germany GmbH	Germany	HRB166986	100%	100%	8,518	8,518
NCAB Group Asia Ltd.	Hong Kong	51293694-000-10-09-6	100%	100%	9	9
NCAB Group Sweden AB	Sweden	556622-9364	100%	100%	57,081	57,081
NCAB Group Norway AS	Norway	980025985	100%	100%	19,723	19,723
NCAB Group Denmark A/S	Denmark	25872231	100%	100%	6,247	6,247
NCAB Group Finland OY	Finland	FI1098064-7	100%	100%	38,388	38,388
NCAB Group Iberia S.A.	Spain	A83663161	100%	100%	2,976	2,976
NCAB Ericon Pte	Russia	7816197682	100%	100%	11,322	11,322
NCAB Group Polska Sp. Z.o.o	Poland	KRS0000281188 REGON 140982368	100%	100%	122	122
NCAB Group UK Ltd	UK	7071477	100%	100%	1	1
NCAB Macedonia A.D.	Macedonia	01012278-3-o3-ooo	70%	70%	82	82
NCAB Group France SAS	France	RCS Orleans 530 469 634	100%	100%	88	88
NCAB Group USA Inc.	USA	n/a	100%	100%	61,077	61,077
NCAB Group Italy S.r.l.	Italy	9729860966	100%	100%	9,343	96
NCAB Group Estonia Oü	Estonia	14267913	100%	100%	25	25
NCAB Group South East Asia SDN BHD	Malaysia	1305701-D	100%	100%		
					215,002	**205,754**

NOTE 54 RECEIVABLES AND LIABILITIES, GROUP COMPANIES

Receivables	31 Dec 2018	31 Dec 2017
NCAB Group Germany GmbH	5,862	19,042
NCAB Group Iberia S.A.	718	1,112
NCAB Ericon Pte	7,412	
NCAB Group Polska Sp. Z.o.o	442	1,602
NCAB Group UK Ltd	25,143	34,990
NCAB Group France SAS	18,990	17,081
NCAB Group USA Inc.	42,056	42,677
NCAB Group Italy S.r.l.	8,477	6,029
NCAB Group Estonia Oü	6,679	6,288
Total	**115,779**	**128,819**

Liabilities	31 Dec 2018	31 Dec 2017
NCAB Group Sweden AB	12,177	21,186
NCAB Group Norway AS	26,813	18,486
NCAB Group Finland OY	24,002	17,617
NCAB Group Denmark A/S	5,940	2,302
NCAB Group Asia Ltd.	6,613	3,739
Total	**75,545**	**63,329**

NOTE 55 OTHER CURRENT RECEIVABLES

	31 Dec 2018	31 Dec 2017
Other receivables	2,052	7,045
Total	**2,052**	**7,045**

NOTE 56 PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec 2018	31 Dec 2017
Service contracts	1,031	
Other items	2,339	1,954
Total	**3,370**	**1,954**

NOTE 57 CASH AND BANK BALANCES

	31 Dec 2018	31 Dec 2017
Bank deposits	69,298	100
Total	**69,298**	**100**

NOTE 58 EQUITY

For share capital information, see Note 26 to the consolidated financial statements.

NOTE 59 BORROWINGS

Long-term	31 Dec 2018	31 Dec 2017
Liabilities to credit institutions	85,000	
Total	**85,000**	

Short-term	31 Dec 2018	31 Dec 2017
Overdraft facilities		37,681
Liabilities to credit institutions	10,000	123,803
Total	**10,000**	**161,484**

The Parent Company's borrowing is in SEK. The Parent Company's borrowings consist of loans from Nordea.

Under the covenants associated with liabilities to credit institutions, net debt must not exceed 2.5 times EBITDA, cash flow/financing costs (interest and repayments of principal) must exceed 1.0.

Due to the provision in 2017 for unforeseen costs in the tax dispute in Russia, the company was unable to meet the covenant relating to equity/assets ratio as at the closing date. The other loan covenants were met during the period. In accordance with IFRS, all bank loans have therefore been classified as current liabilities as at the closing date. The company has received a waiver from the bank. The bank thereby waived its right to early redemption.

The two bank loans, one of which is free of instalments, both mature in June 2023 and have an average annual interest rate of 2.125% (3.2). Total borrowings include bank loans secured by shares in subsidiaries (Note 33).

OVERDRAFT FACILITY

The Parent Company has an agreed overdraft facility in the currencies SEK, USD, EUR, GBP, NOK and DKK, and is part of a European cash pool for NCAB's companies in Sweden, Finland, Norway, Denmark, Germany and the UK. Of the available overdraft facility of kSEK 100,000, kSEK 0 had been drawn at 31 December 2018 (37,681). The overdraft facility is subject to a variable interest rate defined as STIBOR +1.5%. The interest is paid on a quarterly basis. The terms of the overdraft facility are covered by the terms applying for other bank loans from Nordea.

The carrying amounts and fair values for long-term borrowings are as follows:

	Carrying amount		Fair value	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Liabilities to credit institutions	95,000		95,000	
Total	**95,000**		**95,000**	

The fair value of short-term borrowings is equal to the carrying amount, as the discount effect is insignificant.

The carrying amounts, by currency, for the Parent Company's borrowings are as follows:

	31 Dec 2018	31 Dec 2017
SEK	95,000	90,459
USD		71,026
Total	**95,000**	**161,484**

The Parent Company has the following undrawn credit facilities:

	31 Dec 2018	31 Dec 2017
Variable interest:		
– no maturity date	100,000	28,319
	100,000	**28,319**

Note 59, cont.

The following table shows an analysis of the Parent Company's non-derivative financial liabilities that are financial liabilities by remaining maturity from the balance sheet date. The amounts indicated in the table are the contractual, undiscounted cash flows.

31 December 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	2,513	7,613	10,325	81,188
Trade payables	2,932			
Accrued expenses and deferred income	1,419			

31 December 2017	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	123,804			
Trade payables	12,111			
Accrued expenses and deferred income	999			

NOTE 60 ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2018	31 Dec 2017
Accrued holiday pay and bonuses, and social security contributions	6,515	6,845
Accrued audit fees	1,118	380
Other items	2,284	999
Total	**9,917**	**8,225**

NOTE 61 ADJUSTMENT FOR NON-CASH ITEMS

	2018	2017
Adjustment for:		
– depreciation of property, plant and equipment (Note 53)	147	141
– depreciation of intangible assets (Note 52)	708	839
– foreign exchange difference	4,124	8,914
Total	**4,979**	**9,894**

NOTE 62 PLEDGED ASSETS

Pledged assets – 100% of the shares of:	2018	2017
NCAB Group Sweden AB	57,081	57,081
NCAB Group Iberia S.A.		2,977
NCAB Group Finland OY	38,388	38,388
NCAB Group Denmark A/S	6,247	6,247
NCAB Group Norway AS	19,723	19,723
NCAB Group Germany GmbH	8,518	8,518
NCAB Group Polska Sp. Z.o.o		122
NCAB Group USA Inc.	61,075	
NCAB Group UK Ltd		

NOTE 63 OPERATING LEASES

OPERATING LEASE OBLIGATIONS

The Parent Company leases cars under non-cancellable operating leases. The leases normally have a term of three years and most leases can be extended at the end of the lease term for a fee that is in line with market rates. Lease payments of kSEK 364 (476) for the lease of cars
are included in profit or loss.

	2018	2017
Within 1 year	189	250
Between 1 and 5 years	47	222
Total	**403**	**471**

NOTE 64 RELATED PARTIES

See Note 35.

The Group's income statements and balance sheets will be presented for approval to the Annual General Meeting on 13 May 2019.

The Board of Directors and Chief Executive Officer affirm that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and provide a true and fair view of the Group's financial position and results. The annual accounts have been prepared in accordance with generally accepted accounting standards and provide a true and fair view of the Parent Company's financial position and results.

The audit report for the Group and Parent Company provides a true and fair overview of the development of the Group's and Parent Company's business, financial position and results, and describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Bromma, 26 March 2019

Christian Salamon
Chairman

Jan-Olof Dahlén
Board member

Per Hesselmark
Board member

Magdalena Persson
Board member

Hans Ramel
Board member

Gunilla Rudebjer
Board member

Hans Ståhl
Chief Executive Officer

We submitted our audit report on 3 April 2019
Öhrlings PricewaterhouseCoopers AB

Ola Salemyr
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of NCAB Group AB (publ), corporate identity number 556733-0161

REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

Opinions

We have audited the annual accounts and the consolidated financial statements of NCAB Group AB (publ) for 2018. The annual accounts and consolidated accounts of the Company are included on pages 47–86 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 parent company as of 31 December 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 31 December 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.

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 of Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. The auditors' responsibility according to these standards is described in detail in the section Auditor's Responsibility. 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.

Our audit approach

Emphasis and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

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

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole (see the table below). These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Group materiality:	SEK 12 million
How it was determined	0.75% of the Group's net sales
Justification of the choice of materiality	We chose net sales as a benchmark as we think that this is the value that is relevant with reference to the Group's growth focus, with establishments in new markets, and as it is a generally accepted benchmark. In audit standards, the level 0.75% is viewed as an acceptable quantitative materiality threshold.

We agreed with the Audit Committee that we should report misstatements exceeding TSEK 600, as well as misstatement below this amount that ought to be reported for quality reasons.

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.

Key audit matter	*How our audit addressed the Key audit matter*
Impairment test of goodwill related to acquisitions In the consolidated balance sheet, goodwill related to acquisitions is carried at a value of SEK 132.8 million. Goodwill is allocated to cash generating units, which can differ from the level at which the acquisition was performed, as the new entity is integrated in the Group. Contrary to other assets, goodwill is not impaired, instead the value is tested annually for impairment, or whenever there is an indication of a need for impairment. The item is subject to management's estimates and assessments and is, on account of its significance, also regarded as a Key Audit Matter. When Company management tests cash generating units for impairment, the carrying amounts are compared to the estimated recoverable amount. Should the recoverable amount be considerably lower than the carrying amount, the asset is impaired to its estimated recoverable amount. The recoverable amount is calculated by establishing the asset's value in use. When calculating the value in use, management needs to make assumptions of future growth and margin development. Future events and new information might cause changes in these assessments and, therefore, it is important that the Company management continuously evaluates if the value of the acquisition related intangible assets can be justified in the light of the assessments made. Management's calculation of the value in use of the assets is based on the budget for the forthcoming year and forecasts for the next five years. For a more detailed description of these assumptions, please refer to Note 18. Depending on the market risk for the various cash generating units, a weighted average cost of capital before tax of 9.0–10.7% (9.2–11.7%) has been applied.	In our audit, we have focused specifically on management's impairment tests. Our audit includes, inter alia, the following audit procedures: • Evaluated NCAB's process for impairment tests regarding goodwill. • Reviewed how management has identified cash generating units, and compared this to NCAB's process for monitoring goodwill internally. • Reviewed, with the support of PwC's internal valuation experts, the reasonability of the calculation models and evaluated the reasonability of the discount rate applied for significant cash generating units. • Evaluated the reasonability of assessment made and performed sensitivity analyses for the cash generating unit with the highest carrying amount. • Evaluated management's ability to make forecasts by comparing previously made forecasts to actual outcome for the most significant cash generating unit. • Based on materiality, confirmed that sufficient i formation in the Notes is submitted in the Annual Report. The outcome of these audit steps has not given rise to any significant findings in the audit.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–46. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU and the Annual Accounts Act. The Board of Directors and the Chief Executive Officer 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 the consolidated financial statements, the Board of Directors and the Managing Director are responsible for the assessment of the Company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and application of the going concern basis of accounting. The going concern basis of accounting is, however, not applied if the Board of Directors 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.

Auditors' 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 financial statements.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionens's website: www.revisorsinspektionen.se/revisornsansvar. This description is a part of the Auditors' Report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of NCAB Group AB (publ) for the year 2018 and the proposed appropriations of the Company's profit or loss.

We recommend that the meeting of the General Meeting allocate the profit in accordance with the proposal in the Administration Report and grant the members of the Board and the Managing Director discharge from liability for the financial year.

Basis of 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 Chief Executive Officer

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

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

Auditors' responsibility

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

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

Our goal with the audit of the proposal of allocation of the Company's profit or loss, and therefore our opinion thereof is to, with reasonable assurance assess 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 ISAs and generally accepted auditing standards in Sweden will always detect acts and omissions which can give rise to liability to the Company, or that the proposed allocation of earnings or loss is not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration can be found on the web page of The Swedish Inspectorate of Auditors (Revisorsinspektionen): www.revisorsinspektionen.se/revisornsansvar. This description is a part of the Auditors' Report.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of NCAB Group AB (publ) by the general meeting of the shareholders on the 14 March 2018 and has been the company's auditor since the 2 July 2007. NCAB Group AB (publ) has been a public interest entity since the 5 June 2018.

Stockholm, den 3 April 2019
Öhrlings PricewaterhouseCoopers AB

Ola Salemyr
Authorised Public Accountant

Annual General Meeting

WELCOME TO THE ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of NCAB Group AB (publ.) will be held on Monday, 13 May 2019 at 12:00 noon in Stockholm.

NOTIFICATION OF PARTICIPATION

To be entitled to participate in the business of the Meeting, shareholders must

- be recorded in the shareholders' register maintained by Euroclear Sweden AB on Tuesday, 7 May 2019
- and must give the company notice of his or her intention to attend not later than 7 May 2019, at 5:00 p.m
  NCAB Group AB (publ)
  Mariehällsvägen 37A
  SE-168 65 Bromma, Sweden
  or by e-mail:
  agm@ncabgroup.com

Notification should include the shareholder's name, personal identification number (corporate registration number), address, telephone number, number of shares and any assistants, no more than two. The information presented in the notification will be processed and used for the 2019 AGM.

In order to be entitled to exercise their voting rights at the Meeting, shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own names. Such registration must be completed not later than Tuesday, 7 May 2019. If participation is to be based on a power of attorney, the original copy of the power of attorney must be submitted, together with any authorisation documents, to the company well in advance of the AGM. Representatives for legal entities must also submit a certified copy of the registration certificate or equivalent authorisation documents that show that they may represent the legal entity. The company provides shareholders with a power of attorney form, which can be obtained from the company's head office or from the company's website at www.ncabgroup.com from 9 April 2019.

PAYMENT OF DIVIDENDS

The Board of Directors proposes a dividend of SEK 4.50 per share. The dividend is equivalent to a total of SEK 75.8 million. The AGM's decision on dividends will include the day when shareholders must be registered in the shareholders' register maintained by Euroclear Sweden AB in order to be entitled to dividends. The Board has proposed 15 May 2019 as the record date for dividends. On the condition that the AGM resolves in accordance with this proposal, dividends are expected to be distributed by Euroclear Sweden AB's on 20 May 2019 to those who are registered in the shareholders' register on the record date.

CHANGES TO ADDRESS AND BANK ACCOUNT DETAILS

Shareholders who change name, address or account number must report the change to their nominee or account-handling institution (bank) as soon as possible. A special application form is available from banks.

FINANCIAL CALENDAR

2019 Annual General Meeting	13 May 2019
Interim report January–March 2019	14 May 2019
Interim report January–June 2019	30 July 2019
Interim report January–September 2019	6 November 2019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